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MUNICIPAL ENERGY REFORM IN UKRAINE

MUNICIPAL ENERGY REFORM PROJECT (MER)

FIRST QUARTERLY REPORT

SEPTEMBER 27, 2013 – DECEMBER 31, 2013



January 2014

This document was produced for review by the United States Agency for International Development (USAID).

It was prepared by the Municipal Energy Reform Project in Ukraine implemented by International Resources Group for USAID/Ukraine.

Key to cover photos:

<p>Mr. Michael Torreano, USAID-Ukraine OEG Dep. Dir., officially announced startup of USAID-MERP</p>	<p>Dr. Kit Batten, GCC Coordinator, visited CE/EE GHG-reduction demo site in Kyiv</p>	<p>Mr.Valeriy Saratov, Chair of NCSR Commission, signed MOU with Dr. Bil Tucker, MERP COP</p>
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SEPTEMBER 2013 – DECEMBER 2013

CLEAN ENERGY IDIQ: AID-OAA-I-13-00015

Contract: AID-I21-TO-13-00006

January 2014

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ACRONYMS

AUC	Association of Ukrainian Cities
CA	Condominium Association
CE	Clean Energy
CEE	Central and Eastern Europe
CHP	Combined Heat and Power
COM	Cabinet of Ministers of Ukraine
DCA	Development Credit Authority
DH	District Heating
DIR	Data and Information Request
DTEK	Donbass Energy and Fuel Company
EAB	Energy Audit of Building
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced Capability-Low Emissions Development Strategies
EE	Energy Efficiency
EPC	Energy Performance Contracting
ESCO	Energy Service Company
ESIB	Energy Saving Initiative in the Building Sector in Eastern Europe and Central Asia
ESP	Energy Service Provider
EU	European Union
EWG	Expert Working Group
E5P	Eastern Europe Energy Efficiency and Environment Partnership
GCC	Global Climate Change
GDA	Global Development Alliance
GHG	Greenhouse Gas
GIZ	German Bilateral Aid Agency
GOU	Government of Ukraine
HOA	Home Owner Association

HOAC	Home Owner Advisory Center
IBSER	Institute for Budgetary and Socio-Economic Research
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International Financial Institution
IRG	International Resources Group
IRR	Internal Rate of Return
IT	Information Technology
LEDS	Low Emissions Development Strategies
ME	Ministry of Economy
MEP	Municipal Energy Plan
MEDT	Ministry of Economic Development and Trade
MEIS	Municipal Energy Information System
MH	Municipal Heating
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing and Communal Services
MOU	Memorandum of Understanding
MSP	Ministry of Social Policy
NAER	National Agency of Ukraine on Ensuring Efficient Energy Resources Management
NCCSMR	National Commission on Communal Services Market Regulation (see NCSRC)
NCSRC	National Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NMHS	National Municipal Heating Strategy
NIB	Nordic Investment Bank
NIISK	Ukrainian State Research Institute of Building Structures
NPV	Net Present Value
PC	Price Cap
PMP	Performance Monitoring Plan
PO	Purchase Order
PPP	Public-Private Partnership

PSA	Public Service Announcement
QI	First Quarter
RAB	Regulatory Asset Base
RC	Revenue Cap
REDS	Resource Efficiency Development Strategies
ROR	Rate of Return Regulation
RFA	Request for Application
SDC	Swiss Agency for Development and Cooperation
SEAP	Sustainable Energy Action Plan
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of Work
SSC	State Statistics Committee
TF	Task Force
TOR	Terms of Reference
TOT	Training of Trainers
UAH	Ukrainian Hrivna (currency)
UKEEP	Ukraine Energy Efficiency Program
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VR	Verkhovna Rada (legislature)
WB	World Bank

BACKGROUND

The United States Agency for International Development (USAID) Mission for Ukraine, Moldova, and Belarus, Office of Economic Growth supports the implementation of the **Municipal Energy Reform Project (MERP, the Project) in Ukraine** as described in the Statement of Work and further detailed in International Resources Group's (IRG) Technical Proposal, and subsequent modifications.

The primary purpose of the USAID Municipal Energy Reform Project is to enhance Ukraine's energy security. Increased end-use energy efficiency combined with increased production of clean energy in large towns and cities will reduce the consumption of conventional energy in Ukraine while cutting greenhouse gas emissions and energy expenditures and imports. The Project has four main activities:

- Improve CE Regulatory and Legislative Enabling Environment;
- Promote Investment in Clean Energy Technologies and Applications;
- Capacity Building and Dissemination; and,
- Enhance Capacity for the GOU in Low Emission Development Strategies.

The GOU is engaged in reforming the municipal energy sector and addressing challenges identified in the Presidential Program of Economic Reforms for 2010-2014, with an emphasis on CE/EE through price signals and improving the competitiveness and reliability of municipal services. Ukraine's energy policies are shifting to domestic resources and strengthening the energy market framework to EU standards. Adoption and full implementation of Energy Community Treaty and GCC Convention provisions could provide Ukraine with a competitive, transparent, and predictable market framework to attract investment, and underpin CE and EE improvements in the energy sector.

The Project has important focus on introduction of energy efficiency and clean energy in the cities by assisting municipalities with planning, preparing, and financing for clean energy projects; introduction of energy management systems; supporting implementation of development of DCA loan guarantees; supporting mechanisms that mobilize private sector investment (i.e. ESCOs); and preparing sustainable energy public awareness plans.

This Quarterly Report is submitted in accordance with the contract requirements and covers the project period from September 27, 2013 through December 31, 2013. It serves as a tool for evaluating the Project's progress and achievements and provides a summary of Project activities, accomplishments, issues, and problems encountered in implementing the activities set by the Project Work Plan. It also weights the accomplishments in the context of indicators set by the Monitoring and Evaluation Plan. This Quarterly Report #1 summarizes activities from the Project start until the end of the first Project quarter.

A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

General Accomplishments:

During the first reporting period, MERP became fully operational and started implementation of project activities and delivery of assistance. The key project team and sub-contractors were mobilized, and the office was set-up with appropriate IT and telecommunication systems. The Project received registration in the Ministry of Economy. The Project Work Plan was approved by USAID COR on December 20, 2013. A draft M&E Plan was prepared and submitted for USAID approval. MERP prepared a Grant Manual and received USAID approval for this document.

On the technical side, MERP was supportive of USAID activities, specifically on LEDS-REDS. MERP assisted USAID Mission on briefing high level USG officials on municipal energy reform and LEDS-REDS in Ukraine. The Project management established good working relations with Presidential Center of Economic Reforms, and key GOU stakeholders such as Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion) and National Commission on Communal Services Market Regulation (NCCSMR). Areas of cooperation were discussed and agreed, and MOUs were signed. The Project provided recommendations to the GOU National Plan of Economic Reforms to incorporate municipal energy reforms and LEDS-REDS activities in the GOU agenda.

MERP experts conducted a comprehensive assessment of legal and regulatory frameworks of municipal energy reform, and prepared a draft LEDS-REDS Work Plan (both milestones in the MERP Work Plan). Through a series of meetings with IFIs and donors, the Project established a good basis for advance donor coordination and prepared a draft city selection and cooperation strategy.

USAID and US Government officials focused on Ukraine's municipal energy reform activities:

MERP provided a Project Overview briefing in Washington, DC to USAID Europe and Eurasia/Economic Growth (E&E/EG) Office. The presentation was given to: Office Director, Thomas Rhodes; Deputy Office Director, Paige Alexander; Desk Officer for Ukraine, Moldova, and Belarus, Valerie Chien; and Senior Energy Advisor, Jamshid Heidarian. Good interest was shown by the attendees and questions were asked regarding the breadth of MERP data gathering, and the monitoring and quality control of GHG and GCC related data. In addition, MERP COP provided a separate Project Overview briefing in Washington, DC to USAID Global Climate Change (GCC) Office Director Rolf Anderson, who expressed interest in the extent of our SOW and expected MERP results. MERP organized a site visit of Dr. Katherine (Kit) Batten, USAID GCC Coordinator, to the pilot EE and RE projects in Kyiv and participated in the USAID Round Table discussion with Dr. Batten and Mr. Eric Postel, USAID E3 Assistant Administrator.

Project Start-up and Cooperation with the GOU stakeholders:

Startup of the new USAID Municipal Energy Reform Project (MERP) was officially announced by USAID OEG Deputy Director Michael Torreano at the IX International Congress of Housing and Communal Services. The event was chaired by Minister Temnik, and First-Deputy Minister Semchuk. It was attended by more than 100 participants representing cities, municipal utilities, think tank organizations, industry professionals and their associations, donors and IFIs. WB Director for Ukraine, Belarus, and Moldova Mr. Qimiao Fan, informed participants about new lending programs available to support Ukraine's efforts in reforming the housing and communal sector. MERP COP, Dr. Bil Tucker, presented a detailed overview of USAID MERP activities that will support legal and regulatory reforms,

and will assist preparation of investment proposals for CE/EE and GHG reduction projects for IFI and private sector financing.

MERP's agreed areas of cooperation with key GOU counterparts: MinRegion and NCCSMR. Mr. Grigoriy Semchuk, MinRegion First Deputy Minister, and MERP COP Dr. Bil Tucker signed a Memorandum of Understanding. The MOU defines priority areas of cooperation and assistance. The MOU is a required document for MERP registration in the Ministry of Economy. The registration package was submitted to USAID and the Ministry of Economy, and MERP was officially registered in December.

Mr. Valeriy Saratov, NCCSMR Chairman, and MERP COP Dr. Bil Tucker signed an MOU and Letter of Support for cooperation in improving regulation of housing and communal services. The documents specify priority areas of MERP assistance such as capacity building and development of a Regulatory Information Management System, development and support for implementation of incentive regulation, development of benchmarking and quality of services, development of mechanisms for private sector investments, and protection of poor consumers. The participants discussed the current situation in the sector and agreed on the key reform areas such as metering, energy efficiency, protection of poor consumers, and gradual tariff increases to full-cost recovery levels.

National Level Assistance:

MERP was instrumental in assisting GOU on improvement of legal and regulatory framework for municipal energy reform. Project experts participated in a number of GOU Working Groups created to review and amend current legislation such as Law on Communal Services, Law on HOAs, Budget Code, and Law on EE (to introduce ESCO/EPC), and others. MERP sub-contractor JurEnergo conducted an assessment of current legal and regulatory frameworks to evaluate progress and outstanding issues of legal reforms. MERP prepared a list of priority legislation and regulations to be supported and assisted by project experts.

LEDS-REDS Activities:

MERP made good progress in startup of EC LEDS-REDS activities per the SOW and MOU between USAID and Ministry of Economy. In coordination with USAID COR, Project management initiated discussions with Ms. Musina, Advisor to the Minister of Economy, on preparation of the Draft Work Plan on EC LEDS-REDS and establishment of inter-agency GOU coordination on LEDS-REDS. MERP experts assisted USAID in assessing current GOU progress on LEDS-REDS. Based on this work, Project experts revised and further refined the Draft Work Plan on EC LEDS-REDS and submitted it to the Ministry of Economy.

Municipal Assistance:

MERP conducted an assessment of the cities' preparation and implementation of MEPS and SEAPs. The Project organized meetings with IFIs and AUC in order to prepare a City Selection and Cooperation Strategy. Information received was useful for actual preparation of the Draft City Selection and Cooperation Strategy.

Advanced Donor Coordination:

During the reporting period, MERP initiated establishment of advanced donor coordination. MERP management, USAID COR Mr. Nesterenko, and Alternative COR Ms. Garastovskaya, participated in a Donor Coordination meeting on EE in the municipal sector. The meeting was hosted by IFC and was attended by other donors representing WB, EBRD, GIZ, EU Delegation and its projects, SIDA, Swiss Development Center, and E5P. The participants discussed progress of EE reforms and projects in the

municipal sector. USAID presented MERP activities and provided a briefing about MERP and its focus to support advanced donor coordination as well as preparation and support to implementation of IFI lending for CE and EE in the municipal sector. As a result of these discussions, MERP started preparation of an e-based advanced donor coordination platform that will be finalized during the next quarter.

B. DELIVERABLES

First Quarter deliverables of the MER Project were provided to USAID on CD and include the following items:

#	Activity		Title of Report	Language
1	Activity 1	November	Draft laws under review of the Committee of Verkhovna Rada of Ukraine	English, Ukrainian
2	Activity 1	November	Conclusions upon results of analysis of draft laws registered in Verkhovna Rada of Ukraine	English, Ukrainian
3	Activity 1	November	Proposals and recommendations on the PROJECT activity on support of review and improvement of draft laws that are under review of Verkhovna Rada of Ukraine	English, Ukrainian
4	Activities 1, 4	November	Proposals on inclusion of measures to the National Action Plan on performance of Economic Reform Program for 2014	English, Ukrainian
5	Activity 1	November	Memo on participation of JurEnerg Consulting's experts in the events on issues of development of legislative and regulatory framework of energy and housing and communal sectors	English, Ukrainian
6	Activity 1	December	Analysis of draft laws, approval of which could essentially influence implementation of municipal energy reform, registered in Verkhovna Rada of Ukraine for the reported period	English, Ukrainian
7	Activity 1	December	Analysis of draft regulatory acts developed by the central executive authority bodies, approval of which could essentially influence implementation of municipal energy reform	English, Ukrainian
8	Activity 1	December	The list of draft legal and regulatory acts proposed for expert support in the framework of the Project	English, Ukrainian
9	Activity 2	December	Analysis of comments to draft laws on introduction of ESCO/EPC contracts in budget sphere of Ukraine and proposals on their improvement	English, Ukrainian
10	Activity 4	December	MERP Enhanced Capacity for Low Emission Development Strategies MoU Implementation Work Plan (Draft)	English
11	Activity 4	December	IEEC report with recommendations to the GOU Annual Plan on EC LEDS-REDS legal and regulatory activities	Ukrainian
12	Start-up activity	November	MOU with the Ministry of Regional Development, Construction, Housing and Communal Services	English, Ukrainian
13	Start-up activity	November	MOU with the National Commission on Communal Services Market Regulation	English, Ukrainian
14	Start-up activity	October	Municipal Energy Reform Project Work Plan for Project Year One	English

15	Start-up activity	October	Table of milestones for MERP Work Plan Year 1	English
16	Start-up activity	October	Draft PMEP (M&E Plan)	English

C. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD

C.1 PROJECT TEAM

Mobilization Activities

The Ministry of Economic Development and Trade (MEDT) issued MER Project Registration Card on November 28, 2013, including the Ministry of Regional Development, Construction, Housing and Communal Services, and National Commission on Communal Services Market Regulation (NCCSMR) - as the Project recipients. International Resources Group Accreditation Card was issued on December 12, 2013. The Project also initiated the process of registration of the Procurement Plan with MEDT.

Project employees were recruited and hired. The Project staff totals eight employees at the end of the reporting period. Further activities on official hiring of other Project employees are ongoing.

C.2 ENVIRONMENTAL COMPLIANCE REPORT

The MERP team will conform to USAID environmental regulations, 22 Code of Federal Regulations (CFR) 216. We will mainstream environmental mitigation measures as a standard component of program management. The MERP team will meet USAID and Ukrainian environmental requirements through assessing, mitigating, and monitoring environmental risks.

Our team experts do not anticipate having any significant adverse environmental impacts from Project Activities. This is confirmed by IEE recommendation of “Categorical Exclusion” for most project tasks and Activities. “Negative Determination with Conditions” was defined for Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. of MERP. The team will assess the possible environmental risks for these tasks and will implement measures recommended by the IEE (4.3.1-4.3.4). The assessment will start during next Project Quarter.

C.3 DETAILED ASSESSMENT AND ANALYSIS OF PROGRESS MADE ON EACH OF THE TASKS AND MILESTONES

As per USAID request, MERP prepared and received USAID approval for Table of Milestones for Work Plan Year 1.

December 30, 2013	M1.1: Key Priority list of CE/EE legislation/ regulations established (based on the assessment results, MERP will define exact list of Laws to be developed or amended)
	M4.1: LEDS/REDS Work Plan drafted and accepted by Ministry of Economy (all further activities are subject to inclusion (or revision) in the LEDS/REDS WP with MinEconomy)
January 30, 2014	M2.1: Coordination strategy for cities selection developed
	M1.2: Advanced donor coordination established
	M1.5: Donor coordination on tariff regulation established. (MERP Work plan activities of Task 1.3 are coordinated and if needed adjusted
	M3.4: G2G feasibility defined; all following activities will be subject to revision based on the assessment
	M4.2: LEDS/REDS inter-agency GOU coordination established
February 28, 2014	M2.2: Cities and IFIs engaged in cooperation
	M1.15: Basic training needs for the Commission determined (Based on the outcome of this the training curriculum will be developed)
	M1.17: Basic training needs for the MinRegion determined (Based on the outcome of this the training curriculum will be developed)
	M2.3: SEAP needs in Ukraine identified
	M3.1: Selection of 5 NGOs conducted
March 30, 2014	M2.12: Information Strategy and local Information Plans developed
	M1.12: New regulatory accounting principles taught to utilities
	M2.9: ESCO/EPC Legal basis improved

		M4.6: Build up working relations with comprehensive and overarching approach for LEDS legal development
April 30, 2014		M1.8: Priority list of legislations/regulations on improvement of social assistance agreed with the GOU
		M1.10: RIMS functionalities developed and agreed
		M2.13: Focus groups conducted to define baseline knowledge on CE/EE in partner cities
		M3.2: OCA conducted. Training needs identified
May 30, 2014		M1.13: 10 utilities trained to properly implement accounting rules
		M3.5: Selection of GOU/local government organizations finalized
June 30, 2014		M2.7: Bank Lviv is well informed about CE/EE projects and borrowers risks
		M2.10: PPP Legal basis improved
		M4.3: National Inventory System enhanced
July 30, 2014		M1.16: Capacity of regional offices improved
		M1.18: Capacity of MinRegion improved
		M4.8: Key design elements developed for data base
August 30, 2014		M1.6: Assets evaluation methodology developed as prerequisite for RAB
		M2.4: Energy audits conducted
		M4.7: Budgetary programs prepared to allocate emission taxes for support implementation of LEDS/REDS
September 30, 2014		M1.3: Key draft legislation/regulations developed
		M1.4: Energy Audit Standard and Energy Management Standard developed
		M1.7: RAB methodology developed for all sub-sectors
		M1.9: New approach for social protection of low-income consumers agreed with stakeholders

	M1.11: Tender documents prepared for both software and hardware
	M1.14: New regulatory benchmarking system developed
	M1.19: Commission integrated in international cooperation with NARUC/ERRA
	M2.5: SEAPs developed in 6 cities
	M2.6: Energy Management procedures prepared
	M2.8: Banks have better understanding of CE/EE projects and benefits of DCA
	M2.11: PPP opportunities identified
	M3.3: Comprehensive training provided according to Capacity Building Plans
	M3.6: Capacity building plan developed
	M4.4: LEDS/REDS analytical tools applied by two GOU agencies
	M4.5: Road Map developed and LCP Directive focal point appointed

During the first Project Quarter, following milestones were met:

- M 1.1: Key Priority list of CE/EE legislation/ regulations established (based on the assessment results, MERP will define a priority list of legislation to be developed or amended)
- M 4.1: LEDS/REDS Work Plan drafted and submitted for approval to the Ministry of Economy (all further activities are subject to inclusion (or revision) in the LEDS/REDS WP with MinEconomy)

ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT

TASK 1.1: DEVELOPING ENABLING LEGISLATIVE AND POLICY ENVIRONMENT

During the reporting period, the Project was instrumental in establishing cooperation with the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion). MERP management and USAID COR Nesterenko participated in a project introduction meeting with MinRegion First Deputy Minister Semchuk, and head of International Department. Mr. Semchuk expressed his personal support of the proposed activities such as legal and regulatory support, investment attraction through preparation of feasibility studies and assistance on DCA, capacity building on management of WB and EIB investment projects, and the targeted information campaign. MinRegion informed MERP of its progress on preparation of the State Renewable and Energy

Efficiency Program. It was agreed that the Project will support implementation of this State Program and CE projects with aims to reduce GHG emissions.

To ensure long-term success and sustainability of municipal energy reform, the Project established cooperation with the Presidential Center of Economic Reforms. MERP and USAID COR Nesterenko met with representatives of the Presidential Center of Economic Reforms: Mr. Yaschenko, Deputy Head, and Ms. Ryabuha, Senior Legal Advisor. A briefing on MERP activities was presented to the officials of the Presidential Center and possible areas of cooperation were identified and discussed. Specifically, the Presidential Center was interested in Project support for implementation of the Presidential Program of Economic Reforms and Association Agreement with EU in three areas: energy efficiency, renewables, and emissions reduction/climate change.

Based on these discussions, MERP conducted an assessment of the current status of CE/EE legislation and submitted recommendations to the Presidential Center of Economic Reforms on the GOU Economic Reforms Annual Plan for 2014. The list of recommendations targets the following economic areas:

- energy sector reform such as improvement of tariff setting for gas and electricity; improvement of energy sector policy and regulation to stimulate energy efficiency and renewable energy, low emission development strategies (LEDS);
- housing and communal sector reform such as improvement of legal and regulatory framework for municipal energy efficiency (i.e. harmonization with EU energy standards, approval of ESCO Law and EPBD2, introduction of incentive tariff regulation for municipal utilities), attraction of investments in municipal utilities for energy efficiency projects, support for establishment of HOAs and housing management companies; and,
- reform of social protection system to support energy efficiency for low-income families/consumers, and regulation to support entrepreneurship and competition.

Project experts supported the mid-level experts group on development/improvement of specific bills: On Housing and Communal Services, Metering, HOAs, and others. Project experts participated in WG meetings and provided comments/suggestions to different legal and regulatory documents.

MERP participated in a MinRegion WG meeting on preparation of amendments to the Law on Communal Services. The meeting was chaired by First Deputy Minister Semchuk and was attended by NCCSMR Chairman Saratov, representatives of Ministry of Economy, NERC, Ministry of Finance, NAER, Presidential Center of Economic Reforms, donors, and industry experts. The draft amendments will establish transparent rules, regulations and liabilities between utilities, service providers and end-use customers. It is based on draft legislation developed by USAID MHRP, IFC, and other donors. It was agreed to support this draft legislation and send it for review to other GOU Ministries and Agencies. MinRegion asked MERP experts to participate in the review process and to support passage in the Cabinet of Ministers and the Rada.

MERP participated in a meeting of the NCCSMR Technical Committee and discussed the Draft Law “On amendments of several laws of Ukraine in order to stimulate competition in the housing and communal sector”. The aim of the Draft Law is to introduce a legal basis for unbundling of communal services and promote competition. The experts of the Technical Committee also discussed new approaches to establishment of a unified tariff methodology for district heating services and water/waste water services at the regional level.

The MERP DCOP and JurEnergo experts participated in a Rada Committee meeting on Amendments to the Law on Communal Services. The Draft Law would direct the State Inspectorate to monitor the

quality of communal services. The experts discussed pros and cons of the Draft Law and its relation with current activities of the NCCSMR.

TASK 1.2: SUPPORTING ENERGY EFFICIENCY STANDARDS

During the reporting period, the MERP initiated discussions with MinRegion and SAEE on development of energy standards.

Project experts participated in a workshop on end-use energy efficiency and exhibition of energy efficient installations. Discussion was conducted with Head of MinRegion Construction Department, Mr. Barselovich, and Director of State Construction Institute, Mr. Farenuk, on MinRegion's plans to improve energy standards and support approval of a Draft Law on EE in Buildings. It was agreed that the Ministry will send the list of priority energy standards to the Project and will cooperate with the Project on their development/approval.

MERP sub-contractor JurEnergopro participated in the presentation and discussion of the Draft National EE Plan and Draft National RE Plan prepared by the National Agency for Efficient Use of Energy Resources (NAER).

Based on these discussions, it was agreed to revitalize the MinRegion WG on energy standards. The Project experts will prepare detailed comments and suggestions to these documents to ensure their compliance with EU EE Directives and requirements of the Energy Community.

TASK 1.3: IMPROVING TARIFF SETTING

Despite the fact that energy and communal services tariff setting in Ukraine are still highly politicized, the Project has established a good professional working relationship with the National Commission for Communal Services Market Regulations (NCCSMR).

MERP met with NCCSMR Chairman Saratov, Commissioner Romanyuk, and heads of departments to present project activities and agree on general terms of cooperation. Mr. Saratov congratulated IRG-Engility on award of the new MERP contract and expressed satisfaction with the general directions of the proposed assistance. Mr. Saratov and his team briefed MERP on the current situation and good progress of regulatory activities: cost recovery tariffs have been calculated for 54 utilities covering 80% of the heating sector. In accordance with Ukrainian law, a draft tariff resolution was prepared and sent to Cabinet of Ministers and the Prime Minister with the calculated tariffs and requesting implementing the necessary tariff increase for the residential sector. The draft tariff resolution was not accepted by the GOU for implementation for residential customers. However, cost recovery tariffs are in place for industrial and commercial district heating customers.

MERP DCOP Mr. Andriy Mitskan met with Mr. Aleksiy Korchmit, Deputy Head of Strategy Department of NCCSMR. The participants discussed work plan issues for calendar year 2014. The Commission expressed its high interest in USAID assistance for development of incentive tariff methodology and benchmarking methodology. Other areas of cooperation will be capacity building of regulatory staff, design and preparation of technical specifications for a Regulatory Information Management System (RIMS), development of regulations for social protection of low-income consumers, and energy efficiency, specifically through DSM and ESCO mechanisms.

As per USAID recommendations, MERP conducted consultations with WB experts to establish ongoing coordination with SIDA/WB technical assistance project to the NCCSMR. According to the WB and NCCSMR, this technical assistance project will be focused on heat tariffs, benchmarking, and RIMS (development of software). The key stakeholders agreed about splitting of responsibilities and assistance areas between the projects (for example MERP will prepare design and technical specifications for RIMS

and SIDA/WB project will develop software). Once SIDA/WB consultant is selected and operational (expected in April/May 2014), MERP will prepare detailed coordination protocol (MOU).

TASK 1.4: IMPROVING SOCIAL SAFETY NET POLICIES

This task will start in Project Quarter 2.

TASK 1.5: REGULATORY INFORMATION SYSTEM DEVELOPMENT

This task will start in Project Quarter 2.

TASK 1.6: DEVELOPING UTILITY BENCHMARKING

This task will start in Project Quarter 2.

TASK 1.7: CAPACITY BUILDING

This task will start in Project Quarter 2.

ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS

TASK 2.1: DEVELOPING COOPERATION STRATEGIES

During the First Quarter, MERP conducted an assessment of all current IFI programs/investments in municipalities and municipal utilities and coordinated with IFIs selection strategy to ensure their buy-in to the selection process and willingness to invest.

In a donor coordination and cooperation meeting MERP met with EBRD municipal infrastructure team represented by Mr. Mark Magaletsky, Senior Banker, Mr. Denis Gaiovy, Principal Banker, and Ms. Daria Kochubinskaya, Associate Banker. The EBRD transaction team expressed high satisfaction with the level of cooperation in the previous USAID MHR Project. MERP briefed the group on activities of the new project, specifically related to attracting investment in the partner cities. The participants discussed possible areas of cooperation such as preparation of energy audits, pre-feasibility and feasibility studies, and support to PIUs. EBRD agreed to send its suggestions for the cities' selection process to MERP, as well as recommendations for the establishment of an advanced donor coordination protocol.

MERP invited Ms. Cristiana Hageneder, GIZ Project Director, to a coordination and cooperation meeting on municipal energy efficiency. GIZ presented its new project "Energy Efficiency in Municipalities", focused on capacity building of energy managers, preparation and implementation of energy efficiency demonstration projects, and a public information campaign. The participants discussed cities selection strategy to avoid duplication and ensure synergy of actions. The participants also discussed different options for an e-based donor coordination platform.

MERP invited Mr. Grzegorz Gajda, IFC Project Director of "Energy Efficiency in Residential Buildings", to participate in a coordination and cooperation meeting with MERP. The participants discussed the current status of HOA development in Ukraine. The legal basis for HOAs is still an area of concern IFC is leading this legal task but the government has not yet submitted its package of Draft Laws to the Rada. Cooperation and coordination on financing of residential energy efficiency was also discussed. MERP briefed IFC about project activities related to capacity building of commercial banks and support to DCA implementation. It was agreed to intensify coordination in the cities, specifically in these areas.

MERP management and USAID COR Nesterenko participated in a coordination discussion with WB regarding donor coordination protocol and cities' selection. The WB Team was represented by Ms. Semikolenova, Mr. Salminen, and Mr. Glazkov. Ms. Semikolenova presented the new WB project for

energy efficiency in the district heating sector and areas of possible cooperation with MERP. WB outlined its priorities in assisting PIUs in six cities on capacity building for international procurement, preparation of technical specifications, and assisting in preparation of tender documents. It was agreed that WB will send the list of investment projects in the cities for further consideration in the areas of targeted public information campaign and bank loan financing of HOAs.

A follow-on meeting was organized with Ms. Yadviga Semikolenova to discuss scope of assistance of the cities to support WB Municipal Energy Efficiency loan of 300 million USD. Ms. Semikolenova provided information on WB priority cities that need assistance for Project Implementation Units (PIUs). From total of 10 cities targeted by the WB loan, the following cities were recommended for MERP assistance: 1st group cities (Year 1) – Kherson, Kamianets-Podilskiy, Vinnitsa and possibly Ivano-Frankivsk; 2nd group of cities (Year 2) – Dnipropetrovsk and Chernigiv. The WB recommended the following scope of assistance in these cities: capacity building of PIUs on international procurement, preparation of technical specifications, and assistance in tendering process. The WB informed that detailed design will be financed from the proceeds of the loan.

To evaluate performance of municipalities with respect to implementation of their MEPS and development of SEAPs, the Project experts organized consultations with the cities and AUC.

MERP met with Mr. Pitsik, Executive Director of AUC, to discuss cooperation in the area of municipal energy efficiency. MERP presented a Project overview of activities with the aim of developing SEAPs and attracting investments in the partner cities. Mr. Pitsik expressed his high appreciation of previous cooperation with USAID MHR Project and outlined AUC activities for cooperation in the new Project. Specifically, AUC informed about the possibility of using its Regional offices and Regional Centers for Economic Development for capacity building on energy efficiency and preparation of business proposals for investors. AUC is interested in cooperating on a public outreach campaign in the cities with use of modern sociological tools and benchmarking techniques for municipal services.

The participants discussed specific areas of cooperation in supporting advocacy of energy efficiency and clean energy legislation, organization of a transparent selection process for selection of partner cities, and outreach activities at annual AUC events. It was agreed that MERP will prepare a Letter of Cooperation to be signed by the Project and AUC.

Based on the discussions and assessment, MERP will develop a Cities Selection and Cooperation Strategy and will submit it to USAID for review and approval in the beginning of the next Project Quarter.

TASK 2.2: ASSISTING MUNICIPALITIES WITH PLANNING, PREPARING AND FINANCING FOR CLEAN ENERGY PROJECTS

This task will start in Project Quarter 2.

TASK 2.3: INTRODUCTION OF ENERGY MANAGEMENT SYSTEMS

This task will start in Project Quarter 2.

TASK 2.4: DEVELOPMENT CREDIT AUTHORITY LOAN GUARANTEE

During the reporting period MERP initiated assessments of local banks and on-lending programs to identify local partners willing to use DCA Loan Guarantee. The Project met with two commercial banks interested in providing financing to OSBB (HOA): META Bank and PRAVEX Bank. Follow-on meetings with these banks will be organized in Kyiv regarding possible cooperation, training and initiation of DCA for end-use energy efficiency.

In this regard, a follow-on meeting was organized with the management of PRAVEX Bank. The bank is part of the international group INTESA, which has a strong portfolio of municipal energy efficiency projects. Mr. Kirichenko, CEO of PRAVEX Bank, presented the bank's activities in industrial energy efficiency and its plans for HOA financing. The Project presented an overview of its activities on municipal energy efficiency, including support on attracting investment from IFIs, investors, and commercial banks. Based on this meeting, the PRAVEX Bank CEO submitted a formal expression of interest to USAID Mission Director Jed Barton in order to initiate discussion on DCA partial guarantee for the bank's energy efficiency portfolio.

MERP participated in the USAID signing ceremony with Bank Lviv on the DCA Agreement. Ms. Paige Alexander, USAID Assistant Administrator and USAID Mission Director Jed Barton participated in the event and expressed strong USG support for energy efficiency in the municipal sector. Ukrainian officials included First Deputy Mayor of Lviv, Mr. Sinutka, the Deputy Governor of Lviv Oblast, the Deputy Head of the National Bank of Ukraine in Lviv oblast, members of the management of Bank Lviv, and other officials. Mr. Sinutka expressed his high appreciation of past USAID assistance to Lviv on municipal energy efficiency and expressed the city's willingness and desire to participate in new MERP.

A follow-on meeting was conducted with the Chairman of Bank Lviv and his colleagues to discuss support to the partial guarantee DCA prepared by USAID for this bank. MERP presented information about CE and EE projects that might be financed by Bank Lviv. The participants discussed training needs on CE/EE projects, evaluation of risks, and training of potential borrowers of Bank Lviv to support utilization of the DCA agreement. It was agreed that the Project will provide the Bank with a number of pertinent reports, assessments, and Catalogs of Investment Projects developed under USAID MHRP.

TASK 2.5: SUPPORT MECHANISMS THAT MOBILIZE PRIVATE SECTOR INVESTMENT

During the first reporting period, the Project provided assistance to the GOU and Rada Committees in preparing a draft law on ESCO/EPC to reduce barriers to private investment in municipal CE/EE projects.

MERP experts from JurEnergopro participated in a work session on Draft ESCO legislation with the Rada Energy Committee. The Committee considered two Draft Laws on ESCOs developed with the assistance of USAID and EBRD. It was agreed to unify the Draft Laws in one document and resubmit it to the Rada within three months.

The MERP COP and DCOP participated in a MinRegion Round Table that was attended by about 30 participants representing the donor community, Rada Deputies, MinRegion, MinEconomy, and MinFin. Minister Temnyk chaired this event. He outlined the importance of this legislation and expressed his personal support to its passage. The experts exchanged opinions on two different versions of the Law and proposed to find consensus between developers of this important legislation. USAID MERP and EBRD agreed to work together to support passage of this legislation in the Rada.

MERP legal experts from JurEnergopro took part of the MinRegion Working Group meeting on Energy Efficiency in the Communal Sector. The meeting was chaired by Minister Gennadiy Temnyk. It was attended by about 30 representatives of MinRegion departments, Ministry of Economy, Ministry of Finance, State Agency for Energy Efficiency, industry professionals and associations, donors and IFIs. The meeting was devoted to development of legal and regulatory framework for ESCO/EPC and implementation of pilot ESCO projects in municipal sector. It was agreed that despite some progress in pilot ESCO projects (EBRD in Dnipropetrovsk and USAID in Kyiv), ESCO/EPC legislation needs to be improved (amending Law on EE, Budget Code, Procurement Law, and approving Law on EE in

Buildings). The participants mentioned other important needs such as development of commercial lending for municipal EE, i.e. HOAs. The Minister recommended including these items in the GOU Annual Plan for 2014 and requested donors' coordinated assistance on these important issues.

Following the Round Table and MinRegion WG meeting, MERP met with Ms. Borysova, EBRD EE Officer, USAID COR Mr. Nesterenko, and Ms. Samchinska, Deputy Director of NGO IBSER, to discuss and coordinate actions on the Draft Law on ESCOs/EPC. Despite significant similarity of ESCO/EPC wording, the Drafts have several important differences in the areas of long-term financial liabilities of public partners, procurement mechanisms, and model agreement. In order to maximize synergy of donor efforts, it was agreed to organize an experts' discussion on these areas in order to submit a single, consensus, Draft Law on ESCO/EPC to the GOU/Rada.

The Project explored other possibilities for leveraging private sector financing, specifically Corporate Social Responsibility (CSR) funds. MERP participated in the DTEK Annual Corporate Social Responsibility (CSR) Conference to discuss cooperation results and plans for 2014. The event was chaired by Alexander Tolkach, Deputy Director of DTEK, responsible for external relations, and Viktoriya Grib, CSR Manager of DTEK. The conference was attended by about 80 participants representing cities, professional associations, NGOs, and donors. Mayors of DTEK partner cities, who are members of the Social Partnership, presented results of implemented energy efficiency projects in public buildings, renewable projects, and telemedicine projects – all supporting local sustainable community development. MERP Task Leader Natalie Kushko presented MERP activities related to the participants with focus on municipal energy efficiency (i.e. energy audits, SEAPs, and investment attraction) and on LEDS (i.e. projects related to emission reduction). DTEK and its partner cities expressed high interest in establishing cooperation with MERP.

TASK 2.6: PREPARATION OF SUSTAINABLE ENERGY PUBLIC AWARENESS PLAN AND DEVELOPMENT OF RELATED MATERIALS

The Project was instrumental in revitalizing MinRegion Working Group on Communication Issues. The meeting was attended by representatives of donor projects such as IFC, GIZ, WB, EU Delegation, USAID, and UNDP. The participants discussed the National Communication and Information Plan on energy efficiency in buildings developed by MinRegion. MERP informed participants about the successful PSAs and billboards/posters developed in the previous USAID MHR Project and recommended that MinRegion use these deliverables to support the National Communication Plan for 2014. MERP also informed participants about public information activities in the new project and their targeted focus to support energy efficiency and renewable energy projects in MERP partner cities. It was agreed that MERP PR manager will be an active participant of the MinRegion WG on Public Information and will ensure project contribution to the implementation of the National Communication and Information Plan.

ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION

TASK 3.1: PREPARATION OF A LOCAL NON-GOVERNMENTAL ORGANIZATION FOR A DIRECT AWARD FROM USAID

This task will start in Project Quarter 2.

TASK 3.2: FACILITATING GOVERNMENT-TO-GOVERNMENT ASSISTANCE: PREPARING GOU INSTITUTION(S) OR LOCAL GOVERNMENT(S) FOR A DIRECT AWARD FROM USAID

During the reporting period, MERP management conducted coordination meeting with USAID COR on feasibility of G2G mechanism. USAID informed about legal and budgetary assessment being

conducted by IBSER to define G2G feasibility. Based on results of this assessment (expected in January 2014), MERP will plan its support and assistance to the government partners (as directed by COR).

ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC LEDS)

TASK 4.1: STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS

During the first reporting period MERP conducted assessment of all LEDS/REDS relevant strategies and policies in Ukraine with the view to enhance them. The Assessment Memo was prepared and sent to USAID. In the Assessment Memo, the Project identified potential stakeholders and their LEDS-related needs and priorities including GOU agencies and international donors.

Based on this assessment and consultations with Project experts, MERP prepared a list with recommendations on LEDS-REDS for GOU Annual 2014 Plan and submitted it to the Presidential Center of Economic Reforms.

The Project was instrumental in establishing cooperation with Ministry of Economy and USAID to define implementation priorities of EC-LEDS MOU. MERP, and USAID COR Nesterenko, participated in a coordination meeting on EC-LEDS component with Ms. Musina, Advisor to the Minister of Economy. The participants discussed GOU priorities in addressing Global Climate Change issues in Ukraine and implementing an MOU on LEDS-REDS signed by Ministry of Economy and USAID. Specific attention was paid to preparation of the LEDS-REDS Work Plan and establishment of the interagency GOU coordination committee on LEDS-REDS. The Ministry outlined key priorities for LEDS-REDS in the following economic sectors: housing and communal services, energy, and industry (metallurgical and cement production).

In order to develop LEDS/REDS Implementation Work Plan, MERP held a second LEDS MoU Work Plan coordination meeting with Ms. Ludmila Musina, an Advisor to the Minister of Economic Development and Trade. Zero draft of the Work Plan was discussed along with the general approach and understanding of LEDS planning process on national economy-wide and sectoral levels. The next steps on Work Plan coordination are: Work Plan first draft will be sent to the Ministry of Economic Development and Trade, followed by review and revision by an inter-department group together with MERP experts to develop the second draft. The second draft of the Work Plan will be sent out to other state bodies and agencies in February 2014.

The Project initiated discussions on establishment of working inter-agency GOU coordination on LEDS/REDS and sub-groups at the department head level to facilitate deeper understanding and collaboration on potential sectoral LEDS strategies and action plans development.

Specific attention was paid on improvement of National GHG Inventories and MRV. The Project started assessing and identifying all relevant state bodies and scientific institutions together with National Center of GHG Inventories and State Environmental Investment Agency that are involved and/or ought to be involved in data collection, management, analysis, data storage and reporting of GHG emissions.

MERP met with the GHG Inventory Unit and Department of GHG Inventory of the State Environmental Investment Agency of Ukraine, represented by Mr. Sukhrob Kaltaev and Mr. Mykhiylo Koval, who are in charge of the National GHG Inventory of Ukraine. This meeting was organized to brief parties on the Project's anticipated activities on GHG Inventory enhancement and to learn the latest status of the GHG Inventory, 6th National Communication and Biannual reporting of Ukraine.

MERP participated in presentation of USAID project "Monitoring, Reporting, Verification of GHG Emissions in Energy Sector Companies" (MRV). USAID COR Nesterenko, donors, state officials and

industry professionals such as DTEK and CentrEnergo attended the event. Project experts presented the MRV Technical Manual for energy sector companies in Ukraine including Reporting Formats as a major outcome of the project, which was developed based on input data of six power stations and in close cooperation with DTEK energy experts. The participants also discussed status of the MRV draft law and further steps related to climate change and low emission development activities in Ukraine.

The Project assisted USAID Mission in organizing a visit of energy efficient sites in Kyiv for Dr. Kit Batten, USAID Global Climate Change Coordinator, and USAID Mission representatives OEG Deputy Director Michael Torreano, and COR Andriy Nesterenko. The USAID officials visited kindergarten #573 and secondary school #233 in Obolon rayon of Kyiv. These public buildings have been thermally renovated resulting in significantly reduced energy consumption (by 60%) in accordance with recommendations of the energy audits conducted by Municipal Heating Reform Project. These pilot projects were co-financed by USAID MHRP, the private company DTEK, and Kyiv City Administration. Kyiv City Administration briefed the group on its plans to use these projects as models for modernization of another 600 public buildings (schools and kindergartens as per the Municipal Energy Plan) to reduce energy consumption and CO2 emissions. The GCC Coordinator also visited a boiler house of private utility KyivEnergo. This boiler house will be switched soon to renewable biomass fuel to substitute for expensive imported natural gas.

MERP participated in a USAID Round Table discussion with Dr. Katherine (Kit) Batten, USAID Global Climate Change Coordinator, and Mr. Eric Postel, USAID E3 Assistant Administrator. Six USAID-funded projects presented their activities related to the Global Climate Change Initiative. MERP presented the results of the Municipal Heating Reform Project and planned activities of the new Municipal Energy Reform Project. Special attention was paid to impact of the project results/activities on emission reduction (LEDS) and sustainability.

During reporting period, the Project was active in donor coordination on LEDS-REDS activities.

MERP participated in a regular meeting of the Climate Change Public Council under the authority of the State Environmental Investment Agency. The agenda was discussion of the outcomes of the just completed 19th annual “UNFCCC Conference of the Parties”, held in Warsaw. Also, the agenda for the next regular Public Council meeting, to be held in March 2014, was approved. One of the agenda items for the next meeting is LEDS Concept Paper consideration, to be presented by UNDP project “Capacity Building for Low Carbon Growth”.

MERP management and USAID COR Nesterenko participated in the High-Level Consultation on LEDS initiated by UNDP project “Capacity Building for Low Carbon Growth”. This was the first High-Level Consultation where UNDP project consultants presented intermediate results on GHG modeling and assumptions tools for Low Emission Development Strategy concept to state officials, national scientific world representatives and donors organizations. MERP experts participated in the discussion of the proposed models and assumptions.

The Project initiated sectorial cooperation on LEDS-REDS with Ministry of Fuel and Energy. Meeting was conducted with Ms. Kucherenko, Head of International Department of the Ministry of Energy, to introduce the Project. Ms. Kucherenko represents the Ministry in the Energy Community working group. The Ministry presented its priorities in complying with Energy Community requirements such as harmonization with EU Energy Directives and EU Energy Standards. A specific focus is compliance with EU Directives on climate change (EU Directive #80 and #75 on emission by large power plants). MERP presented the project activities and expressed readiness to support the Ministry’s efforts in meeting requirements of the Energy Community. The Project will send a formal letter with proposed areas of cooperation to the Minister of Energy, Mr. Stavitskiy.

TASK 4.2: IMPLEMENTING LEDS-REDS THROUGH SUPPORT IN DEVELOPING AND INTRODUCING CLEAN ENERGY TECHNOLOGIES AND ENERGY SERVICES

This task will start in Project Quarter 2.

TASK 4.3: DEVELOPING A UNIFORM DATRABASE ON LEDS-REDS AND EXCHANGING EXPERIENCES AND BEST PRACTICES WITH OTHER COUNTRIES PARTICIPATING IN EC-LEDS

This task will start in Project Quarter 2.

C.4 PERFORMANCE INDICATORS

To ensure that observations are made in a systematic way that is both process-driven and relevant to the project context, IRG employs a rigorous Monitoring and Evaluation system that meets requirements of ADS 203.3.2-3.8, and the Task Order, as well as recommendations of USAID M&E experts. Our M&E process combines systematic quantitative data gathering and qualitative methods that aim to account for cultural and socio-economic idiosyncrasies of the operating environment. The former may come in the form of tracking public data and statistics, formal questionnaires, assessments and surveys, and secondary research. The latter may consist of focus group discussions, key-informant interviews, anecdotal observations, and feedback from partners and stakeholders.

MERP's M&E Plan serves two critical and complementary functions. First, it gathers and makes available information on project performance that allows our project managers to fulfill accountability requirements to USAID and other project stakeholders. Secondly, it is the primary method for generating data on project performance and evolution in the operational environment over the full period of project performance. Data quality of the M&E Plan is based on the following principles: validity, integrity, precision, reliability, and timeliness.

The M&E Plan includes a set of performance indicators – along with definitions, rationales, data sources, collection methods, and targets – that a MERP M&E Specialist assisted by technical staff and sub-contractors will collect and report to USAID at regular intervals. Our final M&E Plan is based on the development objectives and intermediate results codified in the Ukraine CDCS 2012-2016, standard GCC and Foreign Assistance Framework (FAF) indicators, illustrative indicators drawn from the MERP SOW, and customized indicators. Where appropriate, indicators are disaggregated by geographic unit, type of documents, and biological sex.

The Draft M&E Plan was prepared and submitted to USAID COR for review and comments. Comments have been received from USAID and MERP management is working to address those comments.

D. SCHEDULES

During the first reporting period, MER Project implementation was in accordance with the Project Schedule described in the Work Plan (see ATTACHMENT 1 to this report).

All Project start-up and technical activities, planned and expected results for the First Quarter have been achieved. During implementation, the Project encountered several problems, described in Section E of this First Quarterly Report.

E. PROBLEMS

National level:

Despite the quick Project start-up, several problems were encountered during the reporting period. In December, MERP was officially registered and grant, sub-contract, and related start-up agreements and actions were essentially completed by the end of the month. However, public demonstrations started in late November against the GOU and President Yanukovich continued unabated throughout the month of December. As anticipated, these demonstrations, as well as year-end holiday preparations and celebrations, resulted in general inaction of the Rada and GOU. Thus, even though MERP technically met the milestones on development of Draft Plan on EC LEDS-REDS, the GOU had not approved the plan by the end of the First Quarter. We expect further delays at the national level for all decision making processes, specifically related to adoption of EU energy standards and Directives, and to any progress related to legislative activities.

Local level:

At the local level, the Project did not encounter any problems.

F. PLANS

Under Activity 1, the following activities are planned for Quarter 2 of the Project:

- Establish and support mid-level experts group on development/improvement of specific bills (EE in Buildings, Metering, HOAs, ESCO/EPC, etc.)
- Meet donors and agree on coordination platform: new e-based coordination platform and secretariat
- Prepare draft legislation/regulations and discuss them with key stakeholders
- Review current status of implementation of National Plan for Energy Standards
- Draft first standard on energy audit based on EU norms
- Conduct a gap analysis to compare ISO50001 requirements with Ukrainian norms/practices on energy management
- Establish on-going coordination with SIDA/WB technical assistance project
- Assist the Commission in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan
- Extend RAB methodology to the production and distribution areas for all communal services regulated by the Commission
- Participate in GOU WGs to provide impact analysis and economic benefit analysis related to gradual introduction of cost-recovery tariffs to residential consumers
- Organize educational and advocacy campaigns with civil society organizations on cost-recovery tariffs
- Cooperate with the WB social assistance team on coordinated strategy for improvement of social protection of low-income customers
- Work with the Ministry of Social Policy in order to get buy-in improvement of social safety nets for low-income consumers
- Assist 10 pilot utilities in applying new accounting rules
- Develop a methodology for conducting benchmarking for identification of quality of utility supply services that are provided by DH utilities and associated penalties and bonuses system based on the quality provided.
- Assisting the Commission in monitoring and data collection from utilities to ensure compliance of utilities with new regulatory principles and accurate data collection and reporting

Under Activity 2, the following activities are planned for Quarter 2 of the Project:

- Conduct selection of the 'quick start' group of six cities and prepare MOUs with the selected cities with clear definitions of roles and responsibilities
- Conduct needs assessment and consultations with the Covenant of Mayors and European Commission on SEAPs in Ukraine; Update SEAP methodology to Ukrainian conditions (based on MHRP MEP MODEL methodology)
- Organize introduction seminar on SEAPs (MODEL) for first group of selected cities
- Assist cities in establishing City Advisory Committees and expert WGs for SEAPs development
- Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas
- Provide methodological support to 5 Condominium Resource Centers established with USAID assistance to transfer those Condominium Resource Centers into Clean Energy Advisory Centers and extend their consultancy focus.
- Assist partner cities in preparing energy management documentation, procedures and tools (including IT tools) according to ISO 50001 requirements
- Review Catalogs of Investment of CE/EE Projects (developed under MHRP) with description of potential borrowers' legal and financial status and submit them to the selected banks
- Assist the GOU and Rada in approving a draft law on ESCO/EPC to reduce barriers to private investment in municipal CE/EE projects.
- Establish a Working Group on Communication Issues to design an information strategy for municipalities and develop a public outreach plan on the national level
- Work with advertising agencies to develop design of PSAs and outreach materials

Under Activity 3, the following activities are planned for Quarter 2 of the project:

- In consultation with USAID, develop selection criteria for local organizations to participate in capacity building processes for certification eligibility
- Identify candidates for certification eligibility media outreach on the project, networking, and targeted communications
- Conduct Organizational Capacity Assessment (OCA) that will provide a baseline from which their performance improvement can be measured
- Coordinate with USAID on feasibility of G2G including conducting necessary assessments as will be directed by COR
- Based on feasibility assessment prepare procedures for G2G implementation

Under Activity 4, the following activities are planned for Quarter 2 of the project:

- Establish working inter-agency GOU coordination on LEDS/REDS and sub-groups at the department head level to facilitate deeper understanding and collaboration on potential sectorial LEDS strategies and action plans development

- Identify all relevant state bodies and scientific institutions together with the National Center of GHG Inventories and State Environmental Investment Agency that are involved and/or ought to be involved in data collection, management, analysis, data storage and reporting of GHG emissions and adsorption
- Conduct GAP-analysis of the National Inventory System according to the latest IPCC Best Practices Guidelines and recent UNFCCC requirements
- Develop and implement a National Inventory System Enhancement Plan
- Build capacity of GOU working sub-groups on LEDS/REDS
- Identify and plan support for GOU working groups and inter-ministerial committees for LEDS/REDS pieces of legislation and regulatory documents drafting
- Advise and support executive state bodies/agencies and policy making officials on inclusion of climate change concept and clean energy into their leadership agendas, and process and policy options
- Perform GAP-analysis of the European and Ukrainian legislation on issues of atmosphere emissions, provide recommendations on introducing the provisions of European legislation to Ukrainian legislation
- Provide support to the NERC in enhancement of Green Tariffs methodology and regulation to ensure competitive and fair market conditions for CE investments

ATTACHMENT 1

During the reporting period the Project implementation was in accordance with the Project Schedule described in the currently approved Municipal Energy Reform Project Work Plan for Project Year One, which is provided here as ATTACHMENT 1.

The Work Plan covers all Activities and Tasks of the Project. The right hand column headed, “Milestones” lists all Project milestones scheduled to be accomplished in Year One.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL ENERGY REFORM IN UKRAINE

MUNICIPAL ENERGY REFORM PROJECT WORK PLAN FOR PROJECT YEAR ONE

December 12, 2013

This document was produced for review by the United States Agency for International Development.
It was prepared by IRG.

YEAR 1 WORK PLAN NARRATIVE

OVERALL APPROACH

The objective of the project is to enhance Ukraine's energy security by implementing municipal energy reform with a focus on CE, EE, and GHG emissions reduction. The Year 1 project activities will build a basis for successful implementation of municipal energy reforms.

Under **Activity 1**, our support to the GOU and the Rada will contribute to the legal and regulatory changes needed to succeed with reform measures and meet EU Energy Community Treaty requirements. We will establish advanced donor coordination protocol to ensure synergy of donors' efforts in municipal energy reforms.

Our legal experts from JurEnergio will conduct legal and regulatory assessments to identify progress of draft legislation/regulation developed by the GOU on municipal energy efficiency and renewable energy. Based on the results of the assessments, JurEnergio and IRG will develop legislation and other legal framework aspects to introduce Energy Performance in Buildings in accordance with EU Energy Performance of Buildings Directive (EPBD) 2, mandatory metering, EPC/ESCOs and other legislation to improve end-use energy efficiency and reduce GHG emissions.

It is expected that MERP will assist MinRegion and State Agency for Energy Efficiency (SAEE) in developing two energy standards during the first project year: one on energy audit and another on energy management (based on ISO 50001).

We will support the National Commission on Communal Services Market Regulation (NCCSMR) to introduce incentive tariff regulations. During the first year, our experts will work with NCCSMR on regulatory accounting and evaluation of assets of municipal utilities that are a pre-requisite for incentive regulation. Our experts will assist NCCSMR in design of software for tariff regulation and benchmarking of municipal utilities, design social safety nets that combine targeting of subsidies to conserve public funding, incorporate energy efficiency to contain consumption, and use means-testing and social surveys to ascertain ability and willingness to pay (as well as other critical consumer views). This work will be conducted in close coordination with SIDA/WB technical assistance project.

Under **Activity 2**, the IRG team will introduce strategic energy action planning in compliance with European Covenant of Mayors (CoM). Our work in the cities will start with development of a cooperation strategy with IFIs. The city selection process will be conducted in close coordination with USAID. We will ensure that MERP partner cities are selected in accordance with IFIs lending strategies/portfolio.

The MERP will use EnEffect MODEL planning methodology, which is recognized by CoM, for Sustainable Energy Action Plans (SEAPs). We will extend municipal energy information systems (MEIS) for CO2 inventory and development of emission reduction scenarios for the partner cities. Our experts will link the national level assumptions used by TIMES-Ukraine modeling with SEAPs. Also in Year 1, the Regional Training Centers (RTCs) established under MHRP will assist in SEAP preparation for 6 cities.

The MERP team will pursue traditional financing sources as well as carbon credit sales and EE investment/savings accounts to provide tailored financing for municipal infrastructure investments. Our team will establish close cooperation with IFIs to support their programs with cities. Our experts will assist cities/utilities in establishment of PIUs and preparation of tender documents/technical specifications in accordance with the best international practices.

We will cooperate with commercial banks (starting with Bank Lviv that signed a DCA agreement with USAID in October 2013) and train them on CE/EE projects and use of USAID's DCA Loan Guarantee.

Education and outreach are critical to all tasks. From inception of the project, the MERP team will work to better inform all levels of society – from the GOU to the Rada, from energy professionals to consumers, from academia to the media. Our experts will create and deliver targeted messages to educate and advocate for reform in the selected municipalities.

Activity 3 focuses on capacity building of NGOs and government entities to ensure sustainability of project results and meeting USAID Forward goals. The MERP team, in close coordination with USAID, will select candidates and implement Organizational Capacity Assessments (OCAs) for those organizations and for pre-selected local partners. We will train them in key areas identified in their OCAT to ensure they meet USAID eligibility criteria for direct awards.

USAID initiated G2G cooperation in Ukraine. Based on the results of G2G feasibility study and USAID instructions, the MERP will select a government organization(s) for further capacity building and development of procedures for G2G grants.

Activity 4 focuses on EC-LEDs to support GCC initiatives and GHG emissions reduction. The project experts will assist the GOU in meeting LEDs milestones such as establishment of interagency coordination unit on LEDs/REDS and developing Work Plan for LEDs/REDS implementation.

Based on the achievement of these milestones, MERP will assist GOU working groups on LEDs/REDS. It is expected that during Year 1, IRG and sub-contractor CCS will provide capacity building on LEDs/REDS for two sectors. Sub-contractor IEEC experts will work on improvement of the GHG National Inventory to ensure that it is functioning in accordance with IPCC requirements. Sub-contractor DWG will assist two sectorial working groups on the TIMES-Ukraine modeling tool that will be used for GHG emissions forecasting. We will coordinate our assistance with donors and establish a LEDs-REDS web-portal.

RESULTS, TARGETS, MILESTONES, AND DELIVERABLES

Expected results are shown in the Performance Monitoring Plan. The MERP milestones and deliverables to be achieved through implementation of Year 1 project activities are summarized in the Work Plan table, following this Narrative. The most critical milestones for Year 1 are:

- Development of key CE/EE legislation and regulations consistent with the USAID Mission Country Strategy, GCC Indicators, and EU Energy Community Treaty
- Development of local capacity (i.e., government, business, and NGOs) in accordance with new energy management standards
- A robust energy planning (i.e., SEAPs) and modeling capability with implementation in 6 municipalities in Year 1
- Supported provided to PIUs of IFIs projects in 6 cities
- A targeted outreach and public awareness program in 6 municipalities in Year 1 to support preparation of SEAPs and CE/EE investment projects
- Meeting two LEDs/REDS milestones: establishment of interagency coordination on LEDs/REDS and developing the Work Plan for LEDs/REDS
- Improve GHG National Inventory

- Capacity built on GHG planning (TIMES-Ukraine) and modeling capability with two GOU entities.

TIMELINE

MERP is a four-year contract that officially began on September 27, 2013. The timeline is presented in our Year 1 Gantt chart, found in this section following the Work Plan table, which delineates a timeline of activities, milestones, deliverables, and expected results.

VER: 4

DECEMBER 12, 2013

Inception and Mobilization Phase Activities

Success of Inception and Mobilization Phase will be measured by fully operational Project able to perform Project Tasks and achieve required results

Activities	Lead	Support	Implementation Dates	Outputs / Deliverables / Results	Milestone / Comments
Mobilization of project team: preparation of job responsibilities and agreements	IRG	Partners	October 1-10, 2013	Start-up Project team fully engaged.	
Selection of the project office. Preparation and signature of lease agreement	IRG	Partners	October 1-15, 2013	Office established	
Meetings with the partners and agreement on the terms of cooperation and work schedule	IRG	Partners	October 1 – 15, 2013	Meetings conducted. MOUs and Support letters prepared.	
Updated work plan for Y1 and PMP prepared and submitted to USAID COR	IRG	Partners	October 1 – 30, 2013	Draft WP and PMP submitted to USAID	
Project kick-off conference organized with the GOU representatives, cities, energy professionals, and NGOs	IRG	Partners	November 1-15, 2013	Kick-off meeting conducted.	
Signature of MOUs	IRG	Partners	November 1-30, 2013	MOUs signed and submitted to Ministry of Economy.	
Project registration	IRG	Partners	December 1 – 30, 2013	Project is registered and operational	<ul style="list-style-type: none"> Project is fully operational

Activity 1: Improve Clean Energy Regulatory And Legislative Enabling Environment

Expected results: Critical reform legislation is developed and supported by key stakeholders; Overall clean energy enabling environment is improved; The National Utility Regulation Commission's capacity for effective, transparent and socially-responsible regulation is improved; Cost-reflective, incentive-based tariff regulation is applied in Ukraine; Adverse effect of tariff increases on vulnerable population is mitigated; Cost recovery ratio in heat tariffs is improved

Task Activities	Lead	Support	Implementation Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 1.1 Developing Enabling Legislative and Policy Environment	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Passage of key draft laws and sub-laws needed for MER implementation; Donor coordination platform improved and supportive to reforms	Key legislation/regulations drafted and presented to key stakeholders
Meeting Presidential Center of Economic Reforms to discuss establishment/upgrade of high-level GOU WG on municipal energy reform	IRG	MDI, JurEnerg	October 15-30, 2013	Minutes of meetings; presentation materials; protocol with recommendations on upgrade of high-level GOU WG related to municipal reform	
Assess current status of CE/EE legislation and prepare proposals to the GOU Annual Plans for legislation/regulation development	IRG	JurEnerg, MDI	October 15-December 30, 2013	Assessment report, proposals to the GOU Annual Plan	<ul style="list-style-type: none"> M1.1: Key Priority list of CE/EE legislation/regulations established (based on the assessment results, MERP will define a priority list of legislation to be developed or amended)
Establish and support mid-level experts group on development/improvement of specific bills (EE in Buildings, Metering, HOAs, ESCO/EPC, etc.)	IRG	MDI, JurEnerg, Donors, NGOs	October 15, 2013 – January 30, 2014	List of experts for mid-level sub-groups; agenda and materials from expert groups' meetings	
Meet donors and agree on coordination platform: new e-based coordination platform and secretariat	IRG	MDI, JurEnerg	October 1, 2013 – January 30, 2014	Established e-based/share-point platform to facilitate/manage coordination; minutes of donor meetings	<ul style="list-style-type: none"> M1.2: Advanced donor coordination established
Prepare draft legislation/regulations and discuss them with key stakeholders	IRG	JurEnerg, MDI	January 1, 2014 – May 30, 2014	Draft legislation/regulations documents (such as EE in Buildings, Metering, HOAs, ESCO/EPC, etc); minutes of meetings with key stakeholders and donors	
Monitoring, developing and promoting changes to legislation on HOAs	IRG	MDI	January 1, 2014 – July 30, 2014	Monitoring reports, comments on draft laws and sub-laws on HOAs	
Organize presentations and public discussions of the draft legislation/regulations with industry specialists, associations, and NGOs	IRG	MDI, JurEnerg	June 1, 2014 – September 30, 2014	Presentation materials; minutes of meetings; recommendations to the draft legislation/regulations	

Organize presentations and experts' support to the Rada Committees	IRG	JurEnerg, MDI	June 1, 2014 – September 30, 2014	Presentation materials; minutes of meetings; recommendations to the draft legislation/regulations	<ul style="list-style-type: none"> M 1.3: Key draft legislation/regulations developed
Task 1.2 Supporting Energy Efficiency Standards	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Preparation and passage of key standards; Improved capacity of GOU entities to develop and enforce new standards and norms	First part of energy standards prepared and approved
Establish WG with MinRegion and SAEЕ on development of energy standards	IRG	ENSI, SRIBC, JurEnerg	October 15 – December 30, 2013	MinRegion/SAEE order on establishment of WG	
Review current status of implementation of National Plan for Energy Standards	IRG	ENSI, SRIBC, JurEnerg	October 30, 2013 – January 30, 2014	Agreed list of 6 standards to be developed with Project assistance	
Draft first standard on energy audit based on EU norms	IRG	ENSI, SRIBC, JurEnerg	January 1 – July 30, 2014	Draft Standard prepared and discussed with key stakeholders	
Conduct a gap analysis to compare ISO50001 requirements with Ukrainian norms/practices on energy management	IRG	ENSI, STTAs	January 1 – March 30, 2014	Gap Analysis with recommendations	
Prepare draft standard on Energy Management and will present it for consideration of SAEЕ WG	IRG	ENSI, STTAs	April 1 – September 30, 2014	Draft standard on energy management	<ul style="list-style-type: none"> M 1.4: Energy Audit Standard and Energy Management Standard developed
Task 1.3 Improving Tariff Setting	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Approval of new incentive-based tariffs; Commission ensuring quality and accessibility of communal services for end users; Best practices Cost of Service concept and methodology introduced and implemented; eliminate inappropriate customer-class cross-subsidies	Establish pre-requisite basis for introduction of incentive based tariffs
Establish on-going coordination with SIDA/WB technical assistance project	IRG	MDI	December 15, 2013 – January 30, 2014	Coordination protocol developed and signed. Concrete coordination mechanisms are identified and agreed upon.	<ul style="list-style-type: none"> M 1.5: Donor coordination on tariff regulation established. (MERP Work plan activities of Task 1.3 are coordinated and if needed adjusted).

Assist the Commission in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan	IRG	MDI, STTAs	December 15, 2013 – April 30, 2014	Support documents: assessment and cost benefit analysis	
Ongoing assistance to Commission with developing mechanisms on quality assurance in the new tariff model including identification of key quality indicators, the selection of which will be based on best international practice; accounting for foreign exchange risks in the tariff model (price of imported natural gas) etc.	IRG	MDI, STTAs	January 1 – April 30, 2014	Report on quality assurance in the new tariff model including identification of key quality indicators, accounting for foreign exchange risks in the tariff model (price of imported natural gas).	
Develop and test the service quality system that is linked with tariff setting process. The service quality monitoring system will be developed to ensure national coverage with standardized approaches for conducting data gathering and processing.	IRG	MDI, STTAs	March 1 – July 30, 2014	Quality system developed and tested in 5 pilot utilities	
Provide support in methodology development and improvement, which will include developing the methodology for regulatory assets evaluation and reflecting in utilities' accounting and taxation systems.	IRG	MDI, STTAs	February 1 – August 15, 2014	Methodology for evaluation of assets developed	<ul style="list-style-type: none"> • M 1.6: Assets evaluation methodology developed as prerequisite for RAB
Provide support in development of a methodology for incorporation of social standards of service provision into the system of state regulation of prices, which will ensure social protection of low income households and vulnerable groups.	IRG	MDI, STTAs	February 1 – August 30, 2014	Methodology on social standards developed	
Extend RAB methodology to the production and distribution areas for all communal services regulated by the Commission	IRG	MDI, STTAs	February 1 – September 30, 2014	Draft legal changes developed. Draft methodology for production and distribution areas developed.	<ul style="list-style-type: none"> • M 1.7: RAB methodology developed for all sub-sectors
Participate in the GOU WGs to provide impact analysis and economic benefit analysis related to gradual introduction of cost-recovery tariffs to residential consumers	IRG	MDI, STTAs	January 1 – April 30, 2014	Minutes of meetings, presentations, recommendations	

Evaluate risks while using stimulating methods of tariff regulation, and also in performance of cost benefit analysis	IRG	JurEnerg	January 1 – May 30, 2014	Analytical Report, proposals to the GOU	
Organize educational and advocacy campaigns with civil society organizations on cost-recovery tariffs	IRG	MDI, OPORA	February 1 – September 30, 2014	Public is well informed about the benefits of tariffs reforms: minutes of meetings, agenda of conferences, focus groups.	
Task 1.4 Improving Social Safety Net Policies	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Better transparency of energy subsidies: direct/targeted/means-tested/monetized; Better protection for the poor and efficiency adoption among low-income end user	Assistance provided to the GOU on new approach to the social safety nets
Cooperate with the Presidential Center of Economic Reforms and GOU WGs to incorporate new regulation on social protection into Annual Plans of the Presidential Program of Economic Reforms	IRG	MDI, STTAs	November 1 – December 30, 2013	Minutes of meetings, proposals for the GOU Annual Plan incorporated social protection issues	
Prepare an assessment on current status of GOU actions to incorporate MHRP recommendations on social safety nets improvements	IRG	MDI, STTAs	January 1 – January 30, 2014	Assessment Report with analysis of GOU actions to incorporate MHRP recommendations on social safety nets improvement.	
Cooperate with the WB social assistance team on coordinated strategy for improvement of social protection of low-income customers	IRG	MDI, STTAs	January 1 – February 28, 2014	Coordination strategy developed; minutes of meetings; analysis and proposals	
Work with the Ministry of Social Policy in order to get buy-in improvement of social safety nets for low-income consumers	IRG	MDI, STTAs	February 1 – April 30, 2014	Minutes of meetings; MOU and Action Plan; proposals and recommendations on improvement of social safety nets	<ul style="list-style-type: none"> • M 1.8: Priority list of legislation-regulations on improvement of social assistance agreed with GOU
In coordination with WB social assistance team prepare proposals for changing current system of privileges	IRG	MDI, STTAs	March 1 – August 30, 2014	Report with proposals/draft legislations on changes to the system of privileges	
In coordination with WB social assistance team prepare proposals for improving current system of subsidies	IRG	MDI, STTAs	March 1 – August 30, 2014	Report with proposals/draft legislations on improvement of subsidies	
In coordination with NCCSMR, develop and prepare social and economic justification of the	IRG	MDI, STTAs	April 1 – September 30,	Report on social and economic justification of the norms of consumption of communal services.	

norms of consumption of communal services to support introduction of cost-recovery tariffs			2014		
Prepare proposals to the Ministry of Social Policy on institutionalizing MHRP experience in pilot cities on financing EE measures in low-income families	IRG	MDI, STTAs	May 1 – September 30, 2014	Report with proposals/ draft regulations for stimulating EE in low-income families	
Engage civil society organizations, such as OPORA and MAMA 86, to facilitate the consideration and movement of legislation/regulation through the Rada	IRG	MDI, OPORA, MAMA 86	March 1 – September 30, 2014	Support organized for new social assistance system: presentations, round tables, focus groups	<ul style="list-style-type: none"> • M 1.9: New approach for social protection of low-income consumers agreed with stakeholders
Task 1.5 Regulatory Information System Development	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Established and operational Regulatory Information Management System by Year 3	System functionalities defined and procurement documents prepared
Establish WG with the Commission on RIMS	IRG	MDI, STTAs	December 15, 2013 – January 30, 2014	WG and cooperation protocol established	
Review system requirements developed under MHRP: identifying key functionalities; system framework; a list of software or modules that shall be part of the system and their purpose and main functions	IRG	MDI, STTAs	January 1 – March 30, 2014	Key system requirements agreed	
Develop detailed requirements for each module; and detailed requirements for hardware	IRG	MDI, STTAs	January 1 – April 30, 2014	Detailed requirements developed and agreed	<ul style="list-style-type: none"> • M1.10: System functionalities developed and agreed
Assist the Commission in preparing specifications and tender requirements for software development	IRG	MDI, STTAs	April 30, August 30, 2014	Specifications and tender requirements prepared	
Provide technical assistance for analysis of available options and technical solutions, developing a requirements list, and tendering	IRG	MDI, STTAs	April 30 – September 30, 2014	Technical analysis conducted. Tender documents prepared	<ul style="list-style-type: none"> • M 1.11: Tender documents prepared for both software and hardware
Task 1.6 Developing Utility Benchmarking	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Validation of key performance indicators; Commission able to objectively inform consumers of each utilities' performance to	Basis for uniform regulatory accounting and reporting developed

				ensure transparency and educate consumers; Commission be able to establish industry best average for municipal utilities and will introduce incentives/penalties	
Provide assistance and capacity building support to the Commission to develop standardized accounting and reporting procedures and forms and facilitate their use by all utilities	IRG	MDI, STTAs	January 1 – March 30, 2014	Documents with standardized accounting and reporting procedures and forms	
Assist the Commission in training seminars for nine Regional Offices and utilities to build capacity for applying new Regulatory Accounting Principles	IRG	MDI, STTAs	January 1 – March 30, 2014	Training materials, presentations, list of participants, training organized and presented for utilities	<ul style="list-style-type: none"> • M 1.12: New regulatory accounting principles taught to utilities
Assist 10 pilot utilities in applying new accounting rules	IRG	MDI, STTAs	January 1 – May 30, 2014	Memos, notes, recommendations of consultants	<ul style="list-style-type: none"> • M 1.13: 10 utilities trained to properly implement accounting rules
Develop a methodology for conducting benchmarking for identification of quality of utility supply services that are provided by DH utilities and associated penalties and bonuses system based on the quality provided.	IRG	MDI, STTAs	February 1 – June 30, 2014	Recommendations on the choice of methods (combination of methods) and parameters that have to be used for conducting benchmarking.	
Training seminars for the Commission and its nine Regional Offices to build capacity of utilities for reporting benchmarking indicators and related data	IRG	MDI, STTAs	March 1 – July 30, 2014	Training materials, presentations, list of participants, training organized and presented for utilities	
Conduct calculations for defining the quality of heat services using the data, which will be provided by NCCSMR or pilot utilities.	IRG	MDI, STTAs	March 1 – July 30, 2014	Report on lessons learnt from performing calculations for defining the quality of services using the data, which will be provided by the national regulator and pilot utilities.	
Prepare report on the proposed system of service quality benchmarking and conduct fully inclusive workshops for NCCSMR staff on public rulemaking procedures for NCCSMR, utility companies, and customers to educate all	IRG	MDI, STTAs	March 1 – August 30, 2014	Report on system of benchmarking and its presentation to stakeholders	

stakeholders about customer service contracts and to finalize the language and clauses of the contracts.					
Assisting the Commission in monitoring and data collection from utilities to ensure compliance of utilities with new regulatory principles and accurate data collection and reporting	IRG	MDI, STTAs	March 1 – September 30, 2014	Monitoring reports, analysis of data, recommendations	<ul style="list-style-type: none"> • M 1.14: New regulatory benchmarking system developed
Task 1.7 Capacity Building	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	High regulatory standards of the Commission developed; 'case-study' curriculum developed, as well as Commission training of utility staffs; support documents to be used by MinRegion for supervision of IFI investments in CE/EE projects	Commission improved internal capacity and established international contacts; MinRegion improved ability to manage international projects
Assess Training needs of the Commission Head Quarter and 9 regional offices	IRG	MDI, STTAs	November 1, 2013 – January 30, 2014	Memo on training needs	
Agree with the Commission on the areas of capacity building for regional offices	IRG	MDI, STTAs	January 1 – February 20, 2014	List of areas for capacity building of the Commission and its regional offices	<ul style="list-style-type: none"> • M 1.15: Basic training needs for the Commission determined (Based on the outcome of this the training curriculum will be developed)
Prepare training curriculum for capacity building seminars to the Commission and its regional offices	IRG	MDI, STTAs	February 20 – April 30, 2014	Training curriculum prepared	
Conduct 2 training seminars for regional offices on key functions; organization support; transparency; consumer protection; and assuring quality of municipal services	IRG	MDI, STTAs	May 1 – July 30, 2014	Training materials; presentations, and recommendations	<ul style="list-style-type: none"> • M 1.16: Capacity of regional offices improved
Assess Training needs of the MinRegion and Project Implementation Units on capacity building for management of international energy efficiency projects financed by IFIs	IRG	JurEnergó, STTAs	November 1, 2013 – January 30, 2014	Memo on training needs	
Agree with the MinRegion on the areas of capacity building for management of	IRG	JurEnergó, STTAs	January 1 – February 20, 2014	List of areas for capacity building of the MinRegion and PIUs	<ul style="list-style-type: none"> • M 1.17: Basic training needs for the

international energy efficiency projects					MinRegion determined (Based on the outcome of this the training curriculum will be developed)
Prepare training curriculum for capacity building seminars of the MinRegion and PIUs	IRG	JurEnerg, STTAs	February 20 – April 30, 2014	Training curriculum prepared	
Conduct 2 training seminars for MinRegion representatives on procedures of international procurement, monitoring etc	IRG	JurEnerg	May 1 – July 30, 2014	Training materials; presentations, and recommendations	<ul style="list-style-type: none"> M 1.18: Capacity of MinRegion improved
Provide assistance to employees of MinRegion and Project Implementation Units on issues of international procurement, procedures of preparation and approval of international projects, control of their implementation	IRG	JurEnerg, STTAs	May 1 – September 30, 2014	Memo with recommendations	
Assist the Commission to participate as an associate member in international associations of regulators (ERRA – European dimension and NARUC world dimension)	IRG	ERRA, NARUC	May 1 – September 30, 2014	Contacts established; membership ensured; support to participation provided	<ul style="list-style-type: none"> M 1.19: Commission integrated in international cooperation with NARUC/ERRA

Activity 2: Promote Investment In Clean Energy Technologies And Applications

Expected results: Local governments' capacity to develop and implement low emission development plans enhanced; Municipal managers access financial resources to implement clean energy and energy savings projects; Municipal capacity to develop and implement clean energy investment project is improved; USAID clean energy funding is leveraged at least 1:20 by other donors, government entities and private investors; GHG emissions decrease (per year and projected from baseline) as a result of USG-assisted clean energy projects

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 2.1 Developing cooperation strategies	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Selection methodology developed and approved by USAID/IFIs; MOUs signed with eight 'quick start' municipalities to participate in MERP; MOUs signed with seven additional municipalities to participate in MERP; IFIs concur that they are ready to invest in projects in those cities	Selection of cities conducted. IFIs buy-in to the selection process.
Conduct assessment of all current IFI programs/investments in municipalities and	IRG	MDI	October 15 – December 30,	Assessment report on IFIs programs	

municipal utilities			2013		
Evaluate performance of MHR Project municipalities with respect to implementation of their MEPs	IRG	RTCs	October 20, 2013 – January 30, 2014	Assessment report on MHRP cities	
Review and update MHR Project city selection criteria/strategy	IRG	EnEffect, AUC	November 1, 2013 – January 15, 2014	Updated selection criteria/strategy;	
Coordinate with IFIs selection strategy to ensure their buy-in to the selection process and willingness to invest	IRG	EnEffect	November 1, 2013 – January 20, 2014	Concurrence of IFIs and concurrence of USAID	<ul style="list-style-type: none"> • M 2.1: Coordination strategy for cities selection developed
Conduct selection of the 'quick start' group of six cities	IRG	EnEffect, AUC	January 1 – 30, 2014	Selection memo submitted to USAID	
Prepare MOUs with the selected cities with clear definitions of roles and responsibilities	IRG	EnEffect	February 1 – February 15, 2014	MOUs prepared and signed	<ul style="list-style-type: none"> • M 2.2: Cities and IFIs engaged in cooperation
Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Assist cities in development of 15 SEAPs and energy management systems; Leverage project funds by 1:20 ratio; attract IFIs financing (at least USD 200 million); building additional Ukrainian expertise and experience in energy auditing, SEAP assistance, and related CE/EE skills; Build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans.	Municipalities trained on SEAPs. SEAPs developed and implementation started. Capacity built on preparation of investments proposals
Conduct needs assessment and consultations with the Covenant of Mayors and European Commission on SEAPs in Ukraine	IRG	EnEffect	January 1 – February 20, 2014	Report on needs assessment. Cooperation protocol established.	<ul style="list-style-type: none"> • M 2.3: SEAP needs in Ukraine identified
Update SEAP methodology to Ukrainian conditions (based on MHRP MEP MODEL methodology)	IRG	EnEffect	January 1 – February 20, 2014	Ukrainian SEAP manual developed	
Organize introduction seminar on SEAPs (MODEL) for first group of selected cities	IRG	RTCs, EnEffect	January 15 – February 28, 2014	Agenda, seminar materials, list of participants	
Assist cities in establishing City Advisory Committees and expert WGs for SEAPs	IRG	RTCs, EnEffect	January 15 –	Recommendations on Advisory Committee setup,	

development			March 30, 2014	minutes of meetings	
Harmonize the input data to the "MODEL" methodology, provide Ukraine-specific data from the TIMES-Ukraine national planning model	IRG	EnEffect, GWH	January 15 – April 30, 2014	Agreed list of assumptions for modeling at the local and national levels	
Transfer the Municipal Energy Information System to the cities and will train city staffs on its use	IRG	EnEffect, RTCs	January 15 – April 30, 2014	MEIS transferred to the cities and operational (including GHG emission reduction).	
Prepare recommendations and provide assistance to selected cities with improving energy management and monitoring systems, including data collection and analysis, and methodologies for CO2 emission calculation.	IRG	RTCs, EnEffect MDI	January 15 – May 30, 2014	Recommendations on improving energy management and monitoring systems, including data collection and analysis, and methodologies for CO2 emission calculation provided to selected cities	
Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas	IRG	OptimEnergo, Arnika, RTCs	January 15 – August 30, 2014	Energy audits conducted. EA reports prepared. Baselines and energy efficiency opportunities defined	<ul style="list-style-type: none"> • M 2.4: Energy audits conducted
Compile a comprehensive database for each participating city, including characterizations of multi-dwelling and public buildings, their historical energy use, energy producers and their transmission systems	IRG	RTCs, EnEffect	April 15 – August 30, 2014	Data included in MEIS. Energy balances prepared.	
Prepare SEAPs and present to key stakeholders	IRG	RTCs, EnEffect	March 1 – September 30, 2014	SEAPs documents and attachments (i.e. investment programs)	<ul style="list-style-type: none"> • M 2.5: SEAPs developed
Engage local civil society organizations in SEAPs review and discussion	IRG	OPORA	March 1 – September 30, 2014	Minutes of public meetings and discussions	
Provide methodological support to 5 Condominium Resource Centers established with USAID assistance to transfer those Condominium Resource Centers into Clean Energy Advisory Centers and extend their consultancy focus.	IRG	MDI	March 15 – September 30, 2014	5 Condominium Resource Centers converted into Clean Energy Resource Centers	

Assist in approval of SEAPs by the city councils	IRG	RTCs	Year 2	Presentation materials	<ul style="list-style-type: none"> SEAPs approved for first group of cities
Cooperate with IFIs identifying investments that are already underway or in the pipeline	IRG	MDI	January 15 – March 30, 2014	Memo on IFIs priorities in each of the partner cities	
Provide assistance and capacity building to PIUs on international procurement	IRG	OptimEnerg, ARNIKA	March 1 – September 30, 2014	International procurement guidelines, capacity building materials	
Review, update and expand Project Proposal Manual, Solicitation Process and Documents necessary for attraction of investments from IFIs for CE/EE/GHG emissions reduction projects.	IRG	MDI	June 30 – September 30, 2014	Project Proposal Manual, Solicitation Process and Documents necessary for attraction of investments from IFIs for CE/EE/GHG emissions reduction projects prepared	
Train cities on preparation of bankable investment proposals	IRG	MDI	June 30 – September 30, 2014	Training materials, samples of investment proposals	
Task 2.3 Introduction of Energy Management Systems	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Energy management systems established in 15 partner cities based on ISO 50001 (5 started certification); Energy management and monitoring approach generate 5% savings	Basis for energy management system prepared in first group of cities
Introductory training to partner cities on the energy management cycle and ISO50001 requirements	IRG	OptimEnerg, Arnika	January 15 – February 15, 2014	Training materials. Memo on ISO 50001 requirements and its use by the cities	
Agree with the city management on development of energy management system	IRG	OptimEnerg, Arnika	February 1 – March 30	Advisory Committee established. Energy management functions approved/budgeted by the city councils.	
Assist cities in identifying goals and preparing an energy management policy	IRG	OptimEnerg, Arnika	January 15 – April 30, 2014	Energy Management Policies prepared	
Assist partner cities in preparing energy management documentation, procedures and tools (including IT tools) according to ISO 50001 requirements	IRG	OptimEnerg, Arnika	March 1 – September 30, 2014	Energy management documentation prepared: procedures and tools in accordance with ISO 50001 requirements	<ul style="list-style-type: none"> M 2.6: Energy Management procedures prepared
Task 2.4 Development Credit Authority Loan Guarantee	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Leverage local bank/lender financing; train at least five banks on the loan guarantee mechanism and at least two banks will participate in the program; Build sustainable Ukrainian financial knowledge and expertise through	Capacity built for local banks on potential DCAs

				practical training on preparation of pre-feasibility studies and business plans	
Conduct assessments of local banks and on-lending programs to identify local partners willing to use DCA Loan Guarantee	IRG	MDI	December 1, 2013 – February 20, 2014	Assessment report presented to USAID	
Review Catalogs of Investment of CE/EE Projects (developed under MHRP) with description of potential borrowers' legal and financial status and submit them to the selected banks	IRG	MDI, RTCs	January 1 – March 30, 2014	Catalogs of CE/EE projects with description of borrowers submitted to the selected banks	
Define assistance needs with Bank Lviv and agree on areas of cooperation	IRG	MDI	January 15 – March 30, 2014	Report with assistance needs	
Conduct training seminar for Bank Lviv to support use of DCA guarantee in the municipal sector for on CE/EE projects	IRG	MDI	April 1 – June 30, 2014	Training materials, descriptions of CE/EE projects	<ul style="list-style-type: none"> M 2.7: Bank Lviv is well informed about CE/EE projects and borrowers risks
In cooperation with USAID, the Project experts will assist in conducting risk assessment and financial/ creditworthiness analyses of potential borrowers and banks	IRG	MDI, E&Y	May 1 – September 30, 2014	Risk assessment reports and creditworthiness analysis	
Conduct training seminar for new candidate banks (pre-selected for DCA) on CE/EE projects and utility operations	IRG	MDI	July 1 – September 30, 2014	Training materials, descriptions of CE/EE projects	<ul style="list-style-type: none"> M 2.8: Banks have better understanding of CE/EE projects and benefits of DCA
Task 2.5 Support Mechanisms that Mobilize Private Sector Investment	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Draft law on ESCO/EPC approved by end of Year 1; Two EPC contracts initiated with support of IFIs or private investors; three concepts on CE/EE projects developed and two procurements initiated; Three public participation discussions organized on PPPs	Basis for private sector participation in CE/EE established
Assist the GOU and Rada in approving a draft law on ESCO/EPC to reduce barriers to private investment in municipal CE/EE projects.	IRG	JurEnergo, Antika	December 1, 2013 – March 30, 2014	Analytical documents, advocacy and legal expertise to the GOU and Rada Committees	<ul style="list-style-type: none"> M 2.9: ESCO/EPC Legal basis improved
Analyze legislative opportunities (as for today or if the legislation is adopted) for implementation of	IRG	JurEnergo	December 1, 2013 – March	Analytical documents	

energy efficient projects ESCO, EPC and other PPP forms)			30, 2014		
Improve provisions of PPP law, preparation of legal and regulatory acts of local governments, draft agreements, instructions and methodology in this field	IRG	JurEnerg	April 1 – June 30, 2014	Draft of legislation	<ul style="list-style-type: none"> M 2.10: PPP Legal basis improved
Working with IFIs to determine loan requirements and working with international ESCOs to gauge their interest and requirements in engaging Ukrainian ESCOs	IRG	Consultants	April 1 – June 30, 2014	Memo on IFIs loan requirements for ESCOs. Memo on international ESCOs interest and equity investment opportunities	
Develop individual financial models for the cities and conduct risk assessment to propose risk sharing strategies between public and private partners	IRG	Consultants	May 1 – August 30, 2014	Financial models and risks assessment documents	
Provide comprehensive training to the municipalities on PPP tools to build municipality institutional capacity and support private sector financing in the cities	IRG	Consultants	June 1 – September 30, 2014	Training materials on PPPs options	
Assist cities in identifying CE projects, listed in the SEAPs, which could potentially attract private sector participants to invest in PPP	IRG	RTCs	August 30 – September 30, 2014	List of CE/EE projects for PPP opportunities	<ul style="list-style-type: none"> M 2.11: PPP opportunities identified
Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Public info campaigns in all 15 selected municipalities; Public and civil society support to CE/EE measures in the cities; Behavior change that supports energy conservation	Baseline of public support defined. Public information campaign started for behavior change.
Establish a Working Group on Communication Issues to design an information strategy for municipalities and develop a public outreach plan on the national level	IRG	MDI	November 15, 2013 – January 15, 2014	Working group established, meetings conducted	
Develop Information Strategy for municipalities and targeted National Outreach plan	IRG	MDI	January 15 – March 15, 2014	Targeted draft strategy and plan developed	<ul style="list-style-type: none"> M 2.12: Information Strategy and local Information Plans developed

Conduct focus groups to find local “stars” or prominent community activists who will help mobilize civil society support on Clean Energy/Energy Efficiency issues, particularly practical behavior change steps	IRG	MDI	February 1 – April 30, 2014	Focus groups documents, minutes of meetings, questionnaires	<ul style="list-style-type: none"> M 2.13: Focus groups conducted to define baseline knowledge on CE/EE in partner cities
Support City Council Press Offices by offering training workshops and seminars plus one-on-one information sessions with the project's proven outreach staff	IRG	MDI	February 1 – June 30, 2014	Training materials and presentations	
Work with advertising agencies to develop design of PSAs and outreach materials	IRG		January 1 – March 30	Cooperation established, materials under development	
Provide PSAs materials to the Regional Consulting Centers and Regional Offices of the Association of Ukrainian Cities and Communities in order to target outreach	IRG	MDI	April 1- April 30, 2014	PSAs materials	
Targeted public outreach events for local NGOs, interested associations and the general public will include municipal Energy Efficiency Day, contests on best practices or conservation tips	IRG	MDI, OPORA	April 1 – July 30, 2014	Agenda and list of participants for public events, round tables, contests	
For the media, hold expert energy briefings followed by trainings on the range of story options, from finance to lifestyle	IRG	MDI	May 1 – June 30, 2014	Training materials, briefing materials, press releases	
Targeted outreach to low-income residents and vulnerable groups, in support of Ukraine's social safety net	IRG	OPORA, MDI	June 1 – September 30, 2014	Targeted outreach materials on social protection and EE in low-income families	

Activity 3: Capacity Building and Dissemination

Expected results: Energy audits, Municipal Energy Plans, and energy management and monitoring are national norms; GOU or local organization has the ability to further develop EE technical standards to meet international standards; Cooperation between municipal governments and the civil society sector is strengthened; Local capacity to implement CE initiatives through direct donor awards is improved; GOU systems to implement CE initiatives through G2G are improved

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 3.1 Preparing a local non-governmental organization for a direct award from USAID	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Five local NGOs are trained and their operations are improved; Two local NGOs will be eligible to receive direct awards from USAID by the end of	5 NGOs selected for capacity building. Training provided.

				Year 2	
In consultation with USAID, develop selection criteria for local organizations to participate in capacity building processes for certification eligibility	IRG	STTAs	January 1 – January 30, 2014	Selection criteria developed and agreed with USAID	
Identify candidates for certification eligibility media outreach on the project, networking, and targeted communications	IRG	STTAs	January 1 – February 15, 2014	Minutes of meetings, outreach materials	
Organize and present a kickoff meeting for numerous local NGOs to provide information about this opportunity and will issue calls for applications	IRG	E&Y	February 1 – 15, 2014	Kick-off meeting materials	
Analyze applications and conduct selection process	IRG	E&Y	February 1 – February 28, 2014	5 NGOs selected for capacity building	<ul style="list-style-type: none"> M 3.1: Selection of 5 NGOs conducted
Conduct Organizational Capacity Assessment (OCA) that will provide a baseline from which their performance improvement can be measured	IRG	E&Y	March 1 – April 30, 2014 days	OCA scorecard	<ul style="list-style-type: none"> M 3.2: OCA conducted. Training needs identified.
Develop Capacity Building Plan for each of selected NGOs	IRG	STTAs	April 1 – May 30, 2014	Capacity Building Plans developed	
Organize trainings on organizational capacity building (M&E, HR management, fundraising, financial management, strategic planning)	IRG	STTAs	June 1- June 30, 2014	Training materials and documents on M&E, HR, strategic planning, fundraising	
Organize technical skills and capacity improvement (CE, EE, LEDS, strengthen civil society and local governance)	IRG	STTAs	July 1 – August 30, 2014	Training materials on technical areas (CE/EE/LEDS), civil society and local governance	
Organize trainings on internal policies and procedures to meet USAID rules and regulations	IRG	STTAs	June 1 – September 30, 2014	Training materials and samples of internal policies and USAID rules/regulations	<ul style="list-style-type: none"> M 3.3: Comprehensive training provided according to Capacity Building Plans
Task 3.2 Facilitating Government-to-Government Assistance: preparing GOU institution(s) or local government(s) for a direct award from USAID	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Three municipalities or one GOU Agency are meeting USAID criteria and will be eligible for a direct award from USAID (subject to USAID guidance on G2G)	GOU Agencies selected. Capacity Building Plans prepared.

Coordinate with USAID on feasibility of G2G including conducting necessary assessments as will be directed by COR	IRG	STTAs	December 15, 2013 – January 30, 2014	USAID assessment/guidance on feasibility of G2G	<ul style="list-style-type: none"> M 3.4: G2G feasibility defined; all following activities will be subject to revision based on the assessment
Based on feasibility assessment prepare procedures for G2G implementation	IRG	Legal and budgetary experts (TBD)	February 1 – March 30, 2014	Draft procedures for G2G mechanism	
Conduct transparent selection process of municipalities and or the GOU Agencies (advertisement/ applications/review/selection)	IRG	STTAs	April 1 – April 30, 2014	USAID approve selection criteria and process. Selection process documents.	
Prepare the short-list of pre-selected municipalities and/or GOU Agencies for participation in the capacity building exercise. Organize kick-off meeting.	IRG	STTAs	May 1 – May 30, 2014	Short list established and approved by USAID. Materials of kick-off meeting.	<ul style="list-style-type: none"> M 3.5: Selection of GOU/local govt. organizations finalized
Conduct OCA to benchmark current status and focus the development of organizational capacity	IRG	STTAs	June 1 – July 30, 2014	OCA scorecard to evaluate progress and growth of capacity	
Develop Capacity Building Plan based on training needs identified in OCA	IRG	STTAs	August 1 – September 30, 2014	Capacity Building Plan (s) developed	<ul style="list-style-type: none"> M 3.6: Capacity building plan developed

Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)

Expected results: LEDS/REDS milestones and benchmarks met. The GOU's and other public and private stakeholders' capacity to develop and implement low emission development strategies is increased































Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 4.1 Strengthening institutional capacity in planning LEDS-REDS	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	National Inventory System enhanced according to international best practices and deployed; Incorporation of LEDS-REDS into sectorial and local government strategies/action plans; Several GOU agencies able to use TIMES-MARKAL to develop GHG emission mitigation options; Institutional capacity of governments on LEDS/REDS improved – intra-government	LEDS/REDS Work Plan developed and coordination established. National Inventory System enhanced. LEDS/REDS strategies developed; modeling tools prepared and used by the GOU

				coordination established	
Assess all LEDS/REDS relevant strategies and policies including but not limited to National Action Plan on EE through 2020 and others with the view to enhance it	IRG	JurEnerg	October 1 – November 30, 2013	List of all LEDS/REDS policies and strategies made and introductory meetings with relevant institutions made	
Identify potential stakeholders and their LEDS-related needs and priorities including GOU agencies and international donor	IRG	JurEnerg	November 1 – December 30, 2013	List of stakeholders established. Their priorities defined.	
Establish cooperation with Ministry of Economy and USAID to define implementation priorities of EC LEDS MOU	IRG	JurEnerg	November 1 – December 30, 2013	List of priorities for implementation of EC LEDS MOU identified	
Develop LEDS/REDS Implementation Work Plan together with Ministry of Economy and other relevant stakeholders	IRG	JurEnerg	November 1 – December 30, 2013	MoU Implementation Work Plan drafted and accepted by Ministry of Economy	<ul style="list-style-type: none"> • M 4.1: LEDS/REDS Work Plan drafted and accepted by Ministry of Economy (all further activities are subject to inclusion (or revision) in the LEDS/REDS WP with MinEconomy)
Incorporate LEDS-REDS concept into GOU Annual 2014 Plan through the Presidential Center of Economic Reforms (champion of reforms)	IRG	IEEC, JurEnerg	November 1 – December 30, 2013	GOU Annual 2014 Plan incorporates LEDS/REDS concept and/or elements On-going cooperation on LEDS-REDS concept established with Presidential Center of Economic Reforms	
Establish working inter-agency GOU coordination on LEDS/REDS and sub-groups at the department head level to facilitate deeper understanding and collaboration on potential sectorial LEDS strategies and action plans development	IRG	IEEC, JurEnerg	December 1, 2013 – January 30, 2014	List of sub-groups; agenda; minutes of meetings; case-studies from other countries presented	<ul style="list-style-type: none"> • M 4.2: LEDS/REDS inter-agency GOU coordination established
Identify all relevant state bodies and scientific institutions together with from National Center of GHG Inventories and State Environmental Investment Agency that are involved and/or ought to be involved in data collection, management, analysis, data storage and	IRG	IEEC	December 1, 2013 – January 30, 2014	List of state bodies and scientific institutions involved in GHG National Inventory System as per 5 th National Communication of Ukraine	

reporting of GHG emissions and adsorption					
Conduct gap analysis of the National Inventory System in according to the latest IPCC Best Practices Guidelines and recent UNFCCC requirements	IRG	IEEC	December 1, 2013 – February 28, 2014	Gap Analysis Report as per IPCC Best Practices Guidelines and Tier Level Reporting Requirements	
Develop and implement a National Inventory System Enhancement Plan	IRG	IEEC	December 1, 2013 – June 30, 2014	Draft National Inventory System Enhancement Plan; minutes of stakeholders meetings	<ul style="list-style-type: none"> M 4.3: National Inventory System enhanced.
Build capacity of GOU working sub-groups on LEDS/REDS	IRG	CCS, IEEC	March 1 – July 30, 2014	Training seminars on LEDS/REDS process	
Strengthen institutional capacity at the Ministerial level (Ministry of Fuel and Energy, Ministry of Economy) to apply Ukraine-specific analytical tools TIMES-Ukraine for LEDS-REDS purposes	IRG	GWH, STTAs, Institute of Economics	June 1 – September 30, 2014	Development of analytical tools based on specific requests from Ministries that will allow users to examine model run results; training materials; templates and manuals will be provided on how to use of the analytical tools TIMES-Ukraine	<ul style="list-style-type: none"> M 4.4: LEDS/REDS analytical tools applied by two GOU agencies
Assist Ministry of Economy to apply UNIDO Green Industry Initiatives in emission sensitive sectors (e.g., metallurgical, cement, chemicals)	IRG	CCS, IEEC, JurEnerg	June 1 – September 30, 2014	Specific examples of LEDS/REDS planning developed and presented as a part of Resource Efficient and Low Carbon Industrial Production Center activity to facilitate sectoral strategy development, draft regulations on industrial efficiency drafted	
Assist the Ministry of Fuel and Energy and other relevant bodies to fulfill timely the obligations under EU Energy Community Treaty requirements regarding implementation of the EU Directive 2001/80/EC on reduction of emissions by large combustion plants (LCP)	IRG	CCS, IEEC, JurEnerg	June 1 – September 30, 2014	Working group established on ad hoc basis to set up on-going coordination between relevant state bodies and key private sector players. Action Plan by 2018 is drafted and introduced on inter-ministerial level LEDS/REDS component is analyzed and reflected	<ul style="list-style-type: none"> M 4.5: Road Map developed and LCP Directive focal point appointed
Conduct a targeted public awareness campaign together with other donors and private sector participants to ensure buy-in and civil society support of LEDS/REDS	IRG	OPORA	March 1 – September 30, 2014	Information materials, minutes of public meetings	
Task 4.2 Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	LEDS/REDS legislation developed and approved (score card: at least five legal/regulatory acts); At least five CE/EE projects developed, financed, and beginning implementation with a total value of \$10M	LEDS/REDS legislation improved. CE/EE project identified.

Identify and plan support GOU working groups and inter-ministerial committees for LEDS/REDS pieces of legislation and regulatory documents drafting	IRG	STTAs, JurEnerg	January 1 – March 30, 2014	List of all relevant WG and IMC developed ,on-going working relations established	<ul style="list-style-type: none"> M 4.6: Build up working relations with comprehensive and overarching approach
Advise and support executive state bodies/agencies and policy making officials on inclusion of climate change concept and clean energy into their leadership agendas, and process and policy options	IRG	CCS, STTAs	February 1 – September 30, 2014	Assessments, analysis, agenda, minutes of meetings. On-going relations established	
Perform GAP-analysis of the European and Ukrainian legislation on issues of atmosphere emissions, provide recommendations on introducing the provisions of European legislation to Ukrainian legislation	IRG	JurEnerg	February 1 – March 30, 2014	Analytical report with recommendation for GOU	
Support GOU working groups for relevant legislation drafting for LEDS	IRG	STTAs, JurEnerg	February 1 – April 30, 2014	Analytical documents, draft regulation and legislation	
Provide support to the NERC in enhancement of Green Tariffs methodology and regulation to ensure competitive and fair market conditions for CE investments	IRG	MDI, JurEnerg. STTAs	March 1 – August 30, 2014	Green Tariffs methodology improved	
Provide assistance to relevant bodies and institutions to enhance the Ministry of Finance and other ministries to prepare budgetary programs with aims to streamline allocation of collected CO2 environmental taxes into CE/EE projects	IRG	IBSER	May 1 – August 30, 2014	Budgetary programs developed for better M&E of CE/EE projects	<ul style="list-style-type: none"> M 4.7: Budgetary programs prepared to allocate CO2 taxes for support implementation of LEDS/REDS.
Prepare policies and programs for LEDS-REDS project specifications/guidelines and financing mechanisms	IRG	IEEC	Year 2	Specifications and guidance for financing mechanisms	
Assist cities and utilities in preparing CE investment projects	IRG	IEEC	Year 2	CE/EE project identified	
Task 4.3 Developing a uniform database on LEDS-REDS and exchanging experiences and best practices with other countries participating in EC-LEDS	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Uniform database established in accordance with international best practices; Ukraine integrated into international cooperation on LEDS-REDS	Develop a basis for uniform database.

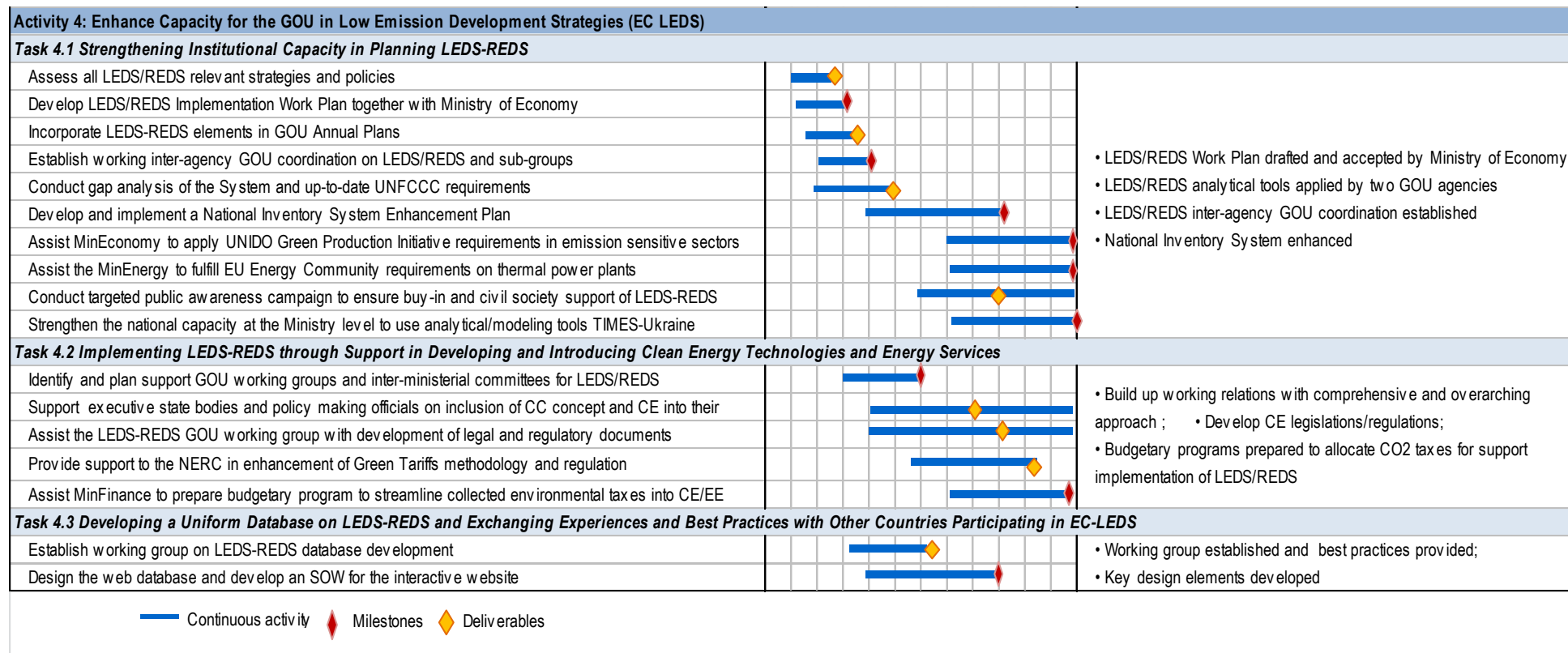
Establish working sub-group on LEDS/REDS database development	IRG	STTAs, IEEC	January 1 – March 30, 2014	Working group established	
Design the web database and develop an SOW for the interactive website	IRG	STTAs, IEEC	April 1 – July 30, 2014	Design documents and SOW	<ul style="list-style-type: none"> • M 4.8: Key design elements developed for data base

Activities and Subtasks	Months												Expected Results for Year 1
	1	2	3	4	5	6	7	8	9	10	11	12	
Inception and Mobilization Phase													
Mobilization of project team: preparation of job responsibilities and agreements													
Selection of the project office. Preparation and signature of lease agreement													
Meetings with the partners and agreement on the terms of cooperation and work schedule													
Updated work plan for Year 1 and PMP prepared and submitted to USAID COR													
Project kick-off conference organized with the GOU representatives, cities, energy professionals, NGOs, and													
Project registration in MinEconomy													• Project fully operation
Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment													
Task 1.1 Developing Enabling Legislative and Policy Environment													
Meet Presidential Ctr Econ Reforms to discuss high level GOU WG on municipal energy reform													
Assess current status of CE/EE legislation; include LEDS in GOU Annual Plans for legislation development													• Key Priority list of CE/EE legislation/ regulations established;
Establish and support mid-level experts group on development/improvement of specific bills													• Advanced donor coordination established
Prepare draft legislation/regulations and discuss them with key stakeholders													• Preparation of 2 key draft laws and advanced donor coordination in Year 1
Organize presentations and experts' support to the Rada Committees, ensure public participation													
Upgrade donor coordination platform: new e-portal and secretariat													
Task 1.2 Supporting Energy Efficiency Standards													
Establish WG with MinRegion and SAEE on development of energy standards													• Preparation and passage of key standards on energy management and energy audit
Review current implementation status of National Plan for Energy Standards													
Draft first standard on energy audit based on EU norms													
Conduct gap analysis to compare ISO50001 requirements with Ukrainian norms on energy management													
Prepare draft standard on Energy Management and present it for consideration of GOU WG													
Task 1.3 Improving Tariff Setting													
Establish on-going coordination with SIDA/WB technical assistance project													
Assist NCCSMR in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan													• Assets evaluation methodology developed as prerequisite for RAB
Assist NCCSMR on quality assurance and quality indicators for communal services													• RAB methodology developed for all sub-sectors
Extend RAB methodology to all communal services regulated by NCCSMR													
Provide assistance on evaluation of assets needed for introduction of RAB methodology													
Organize educational and advocacy campaigns with civil society organizations													
Task 1.4 Improving Social Safety Net Policies													
Assist GOU WGs to incorporate new social protection regs in Annual Plans of the Presidential Prgm of Econ													• Best international practices on subsidies provided that are direct, targeted, means-tested, and/or monetized
Assessment on current status of GOU actions to incorporate MHRP recommendations on social safety nets													
Cooperate with the WB on coordinated strategy for improvement of social protection of low-income customers													• New approach for social protection of low-income consumers agreed with stakeholders
Work with the Ministry of Social Policy in order to get buy-in improvement of social safety nets													
In coordination with WB prepare proposals for changing current system of privileges and improve subsidies													
Provide analytical assessments to determine social norms for consumption (to decrease privileges)													
Engage CSOs to facilitate the consideration and movement of legislation/regulation through the Rada													

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Task 1.5 Regulatory Information System Development		
Establish WG with the NCCSMR on RIMS		<ul style="list-style-type: none">• System functionalities developed and agreed• Tender documents prepared for both software and hardware
Review system requirements and functions		
Develop detailed requirements for each module and detailed requirements for hardware		
Assist the NCCSMR in preparing specifications and tender documents for software development		
Task 1.6 Developing Utility Benchmarking		
TA and capacity bldg for NCCSMR/utilities to develop and apply standardized accounting and reporting		<ul style="list-style-type: none">• New regulatory accounting principles taught to utilities• Utilities trained to properly implement accounting• New regulatory benchmarking system developed
Assist 10 pilot utilities in applying new accounting rules		
Develop a methodology for conducting benchmarking for identification of quality of utility supply services		
Train NCCSMR HQ and nine regional offices to build capacity of utilities for reporting benchmarking indicators		
Assist NCCSMR on monitoring/ data collection from utilities to ensure compliance with new regulation		
Task 1.7 Capacity Building		
Assess training needs and agree on training areas for NCCSMR HQ and nine regional offices		<ul style="list-style-type: none">• Capacity of NCCSMR and regional offices improved• Capacity of MinRegion improved• Established international contacts with NARUC/ERRA
Conduct seminars for reg offs on key functions; org spt; transparency; consumer protection; assuring		
Assess training needs and agree on training areas for MinRegion and PIUs		
Conduct seminars for MinRegion and PIUs on management of international projects		
Assist MinRegion and Project Implementation Units on international procurement procedures		
Assist NCCSMR to participate as an associate member in international associations of regulators		
Activity 2: Promote Investment In Clean Energy Technologies And Applications		
Task 2.1 Developing Cooperation Strategies		
Conduct assessment and coordinate with IFI programs/investments in municipalities and municipal utilities		<ul style="list-style-type: none">• Selection strategy developed and approved by USAID/IFIs• MOUs signed with 6 "quick start" cities to participate in MERP
Evaluate performance of MHRP municipalities with respect to implementation of their MEPs		
Review and agree city selection strategy with IFIs and USAID		
Conduct selection of the "quick start" group of 6 cities and sign MOUs		
Task 2.2 Assisting Municipalities with Planning, Preparing, and Financing for Clean Energy Projects		
Conduct needs assessment and consultations with the Covenant of Mayors and European Commission on		<ul style="list-style-type: none">• Energy audits and CO2 inventories conducted in 6 cities;• 6 SEAPs developed;• PIUs supported in partner cities
Update SEAP methodology to Ukrainian conditions (based on MHRP MEP MODEL methodology)		
Organize introduction seminar on SEAPs (MODEL) for first group of selected cities		
Assist cities in establishing City Advisory Committees and expert WGs for SEAPs development		
Harmonize "MODEL" methodology; transfer MEIS to cities and provide data from national planning model		
Conduct energy audits to evaluate baselines/est. potential for EE/CE/GHG emissions reduction for key		
Compile database for each city: apt. and public buildings, historical energy use, energy production, transport		
Assist PIUs to support IFIs loans		
Prepare SEAPs and present to key stakeholders		
Support Resource Centers to educate local civil society organizations in CE/EE		

Task 2.3 Introduction of Energy Management Systems		
Introductory training to partner cities on the energy management cycle and ISO 50001 requirements		• Energy management systems training and support provided to 6 partner cities based on ISO 50001 in Year 1
Agree with the city management on development of energy management system; assist in identifying goals		
Assist partner cities in preparing energy management procedures and tools according to ISO 50001		
Task 2.4 Development Credit Authority Loan Guarantee		
Conduct assessments of local banks and IFI programs to identify local partners willing to use DCA		• Bank Lviv is well informed about CE/EE projects and borrowers; • Local banks trained on CE/EE; • Local potential DCA partners identified
Conduct training seminar to Bank Lviv on CE/EE projects to support utilization of DCA		
Conduct training seminar for candidate banks (pre-selected for DCA) on CE/EE projects and utility operations		
Task 2.5 Support Mechanisms that Mobilize Private Sector Investment		
Assist the GOU/Rada in approving a draft law on ESCO/EPC		• ESCO/EPC Legal basis improved by end of Year 1 • PPP Legal basis improved • PPP opportunities identified
Develop ESCO models for cities and propose risk-sharing strategies between public and private partners		
Provide training to the municipalities on PPP tools and support private sector financing in the cities		
Assist cities in identifying CE projects that could attract private sector investments		
Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials		
Develop Information Strategy for municipalities and targeted National Outreach plan		• Conduct public information campaigns in 6 selected municipalities in Year 1 • Ensure public and civil society support to CE/EE measures
Focus groups find local activists to mobilize civil society support for CE/EE issues, particularly behavior		
Provide PSAs; organize public outreach events for local NGOs, interested associations, and the general		
Hold expert energy briefings for media followed by trainings on the range of story options		
Targeted outreach to low-income residents in support of Ukraine's social safety net		
Activity 3: Capacity Building and Dissemination		
Task 3.1 Preparing a Local Non-Governmental Organization for a Direct Award from USAID		
In consultation with USAID, develop criteria and select local organizations to receive capacity building		• 4 local NGOs are trained and their operations are improved
Conduct Organizational Capacity Assessment (OCA) to provide baseline for performance improvement		
Develop Capacity Building Plan for each selected NGO		
Training on org cap (M&E, HR & fin mgmt, strat plng), tech skills (CE/EE, LEDS, stronger civil society and		
Trainings on internal policies and procedures to meet USAID rules and regulations		
Task 3.2 Facilitating Government-to-Government Assistance: Preparing GOU Institution(s) or Local Government(s) for a Direct Award from USAID		
Coordinate with USAID on feasibility of G2G		• G2G feasibility defined and agreed by USAID • Qualifying GOU agencies and/or cities identified; • OCA and Capacity Building Plans prepared
Based on feasibility assessment prepare procedures for G2G implementation		
Transparent selection of cities and/or the GOU Agencies (advertisement/applications/review/selection)		
Short-list of pre-selected cities and/or GOU Agencies to participate in capacity bldg exercise. Organize kick-off		
Conduct OCA to benchmark current status and focus the development of organizational capacity		
Develop Capacity Building Plan based on training needs identified in OCA		



U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

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